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UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

NATIONAL IMPLEMENTATION OF ECDC DECISIONS AND PROGRAMMES: A CASE STUDY OF MALAYSIA

Report by the UNCTAD secretariat

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ABBREVIATIONS

AEM	ASEAN Economic Ministers
AFTA	ASEAN Free Trade Area
AIJVs	ASEAN Industrial Joint Ventures
AIP	ASEAN Industrial Project
APEC	Asia Pacific Economic Cooperation (Members: Australia, Brunei Darussalam, Canada, China, Hong Kong, Indonesia, Republic of Korea, Japan, Malaysia, Mexico, New Zealand, Papua New Guinea, Philippines, Singapore, Taiwan Province of China, Thailand, United States of America)
ASA	ASEAN Swap Arrangement
ANRPC	Association of Natural Rubber Producing Countries
ASEAN	Association of South East Asian Nations (Members: Brunei Darussalam, Indonesia, Malaysia, Philippines, Thailand)
ATPC	Association of Tin Producing Countries
BBC	Brand to Brand Complementation
BIMB	Bank Industri Malaysia Berhad
BPA	Bilateral Payments Agreement
CEPT	Common Effective Preferential Tariff
CPA	Caracas Programme of Action
CPO	Crude palm oil
DAC/OECD	Development Assistance Committee of the Organization for Economic Cooperation and Development
EAEC	East Asia Economic Caucus
ECDC	Economic Cooperation among Developing Countries
EPU	Economic Planning Unit, Prime Minister's Department
EPZ	Export Processing Zone
FDI	Foreign Direct Investment

G-15	Summit Level Group for South-South Consultation and Cooperation (Members: Algeria, Argentina, Brazil, Egypt, India, Indonesia, Jamaica, Malaysia, Mexico, Nigeria, Peru, Senegal, Venezuela, former Yugoslavia, Zimbabwe)
GSTP	Global System of Trade Preferences among Developing Countries (Members: Algeria, Argentina, Bangladesh, Benin, Bolivia, Brazil, Cameroon, Chile, Cuba, Democratic People's Republic of Korea, Ecuador, Egypt, Ghana, Guinea, Guyana, India, Indonesia, Islamic Republic of Iran, Iraq, Libyan Arab Jamahiriya, Malaysia, Mexico, Mozambique, Nicaragua, Nigeria, Pakistan, Peru, Philippines, Republic of Korea, Romania, Singapore, Sri Lanka, Sudan, Thailand, Trinidad and Tobago, Tunisia, United Republic of Tanzania, Viet Nam, former Yugoslavia, Zimbabwe)
GTC	General Trading Company
IPC	International Pepper Community
ICDT	Islamic Centre for Development of Trade
IsDB	Islamic Development Bank
MASSA	Malaysian South-South Association
MASSCORP	Malaysia South-South Corporation
MATRADE	Malaysia External Trade Development Corporation
MERCOSUR	Southern Cone Common Market (Members: Argentina, Brazil, Paraguay, Uruguay)
MIDA	Malaysian Industrial Development Authority
MITI	Ministry of International Trade and Industry
MTCP	Malaysia Technical Cooperation Programme
NCCIM	National Chamber of Commerce and Industry, Malaysia
NIEO	New International Economic Order
OECD	Organization for Economic Cooperation and Development
OIC	Organization of Islamic Conference (Members: Afghanistan, Algeria, Azerbaijan, Bahrain, Bangladesh, Benin, Brunei Darussalam, Burkina Faso, Cameroon, Chad, Comoros, Djibouti, Egypt, Gabon, Gambia, Guinea, Guinea-Bissau, Indonesia, Iraq, Islamic Republic of Iran, Jordan, Kuwait, Lebanon, Libyan Arab Jamahiriya, Malaysia, Maldives, Mali, Mauritania, Morocco, Niger, Nigeria, Oman, Pakistan, Palestine, Qatar, Saudi Arabia, Senegal, Sierra Leone, Somalia, Sudan, Syrian Arab Republic, Tunisia, Turkmenistan, Turkey, Uganda, United Arab Emirates, Yemen)

PIA	Promotion of Investments Act, 1986
POCPA	Palm Oil Credit Payment Arrangements
PTA	Preferential Trade Area for Eastern and Southern Africa (Members: Angola, Burundi, Comoros, Djibouti, Eritrea, Ethiopia, Kenya, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Rwanda, Seychelles, Somalia, Sudan, Swaziland, Uganda, United Republic of Tanzania, Zambia, Zimbabwe)
SAITEX	South African International Trade Exhibition
SAARC	South Asian Association for Regional Cooperation (Members: Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, Sri Lanka)
SADC	Southern African Development Community (formerly SADCC) (Members: Angola, Botswana, Lesotho, Malawi, Mozambique, Namibia, Swaziland, United Republic of Tanzania, Zambia, Zimbabwe and (since 29 August 1994) Republic of South Africa)
SADCC	Southern African Development Coordination Conference
SEACEN	South-East Asian Central Banks Research and Training Centre
SITTDEC	South Investment, Trade and Technology Data Exchange Centre
SMP	Sixth Malaysia Plan (1991-2000)
SOPP	Second Outline Perspective Plan (1991-2000)
UNCTAD	United Nations Conference on Trade and Development

INTRODUCTION

1. Economic cooperation among developing countries (ECDC), at interregional, subregional and bilateral levels, has long been advocated and practised by developing countries. In the wake of the oil crisis, it assumed dramatic significance and evolved into an autonomous, even self-assertive, notion of "collective self-reliance" within the context of the idealistic New International Economic Order (NIEO) formulated at the Sixth Special Session of the United Nations General Assembly. The latest version, as derived from the overall economic crisis of the early 1980s, is a more pragmatic and integrative approach, reflecting the "new Partnership for Development" of the Cartagena Commitment. Greater awareness of the developed-developing partnership dimension of ECDC has brought about a transformation of outlook and policies of both the developed and developing countries in regard to ECDC, in general, and regional integration, in particular.

2. Similarly, the traditional import-substitution integration schemes are undergoing important changes. This is exemplified by the success of the ASEAN model, symbolized by an "export led" and outward-looking process of integration. This has resulted in greater interest on the part of the donor community to support the developing countries' integration process, a phenomenon reflected in favourable trends within the OECD/DAC. Thus, at a policy-level meeting organized within the OECD/DAC framework in Paris in September 1992, the donor community, inter alia, agreed to incorporate regional dimensions into development strategies and to encourage dialogue between donors and regional groupings. 1/ The new approach is likewise manifested in the financial and technical support being provided or pledged by the donor community to the ASEAN, SADCC, MERCOSUR, SAARC and other groupings of developing countries.

3. The outside or concomitant support by the international donor community to the integration process is of course important for its evolution and success. Yet it is only one of several features and elements. The single most important factor for the success of the integration process is naturally the extent and degree of implementation and enforcement of decisions by member Governments themselves, in fulfilment of their express objectives and ECDC programmes and regional integration. In several cases there have been major discrepancies between the integration objectives put forward by developing countries themselves and the effective means and national resources mobilized by those countries to realize their objectives.

4. Given the above perspective, it becomes important to have a comparative picture of ECDC implementation and integration objectives at national levels. The rationale of such a comparison is not to "monitor" or adjudge the implementation record on ECDC but rather to highlight and look at those developing countries whose record of performance on ECDC has been more positive and even exemplary for others.

5. The Standing Committee on Economic Cooperation among Developing Countries (ECDC), established by the eighth Conference of UNCTAD, called for the Committee to "take due account of the diversity of country situations and experiences. It may base its work on country reviews by the secretariat and seek from relevant countries the presentation of studies on their national experiences". 2/ The present report, covering the Malaysian experience on

ECDC in the interregional, regional, subregional and bilateral settings, forms part of a series of selected country case studies undertaken by the UNCTAD secretariat, in fulfilment of the ECDC work programme established for the Standing Committee.

6. The present study is the result of an official field mission to Malaysia by a staff member of the UNCTAD secretariat. The mission was organized with the assistance of the Permanent Mission of Malaysia to the United Nations Office at Geneva. The Ministry of Foreign Affairs of Malaysia extended help in establishing liaison with the Economic Planning Unit (EPU) of the Prime Minister's Office in Kuala Lumpur. The latter convened an inter-ministerial meeting comprising the Ministries of International Trade and Industry (MITI), Finance, and Agriculture, the Malaysian Industrial Development Authority and the Ministry of Foreign Affairs. This meeting was followed by in-depth meetings with the Bank Negara Malaysia, the Malaysian Institute of Economic Research (MIER), National Chambers of Commerce and Industries of Malaysia (NCCIM), the Malaysian Industrial Development Authority (MIDA), the Malaysian South-South Association/Malaysian South-South Corporation (MASSA/MASSCORP), the Malaysian External Trade and Development Corporation, and the Ministry of Agriculture. A list of Malaysian officials who supported UNCTAD's field mission in both the public and private sectors, as well as the banking and research field appears for the record in Annex I.

7. The UNCTAD secretariat takes this opportunity to express its gratitude to all those government officials and representatives of institutions who so kindly took time from their busy schedules to meet with the UNCTAD secretariat staff member and engage in frank discussions. It remains to be emphasized that the UNCTAD secretariat is alone responsible for the contents of this report.

I. MALAYSIA: AN ECONOMIC PERSPECTIVE

8. Situated in south-east Asia, Malaysia is a multi-racial, multi-religious, multilingual and multicultural society. Its population of 18.6 million is composed of approximately 60 per cent Malay and other indigenous groups (collectively termed Bumiputra), 31 per cent Chinese and the remaining 9 per cent mostly Indian.

9. Malaysia is well-endowed with natural resources, including oil and gas, as well as with agricultural land that is especially suited for tree crops such as palm oil and rubber. These resources formed the initial base of the economy's development. Since independence in 1957, Malaysia has been growing rapidly and has made enormous strides to develop and broaden its production and export base through systematic planning and management by Government in close partnership with the private sector.

10. In the early 1970s, when many developing countries were hamstrung by import-substitution industrial polices, Malaysia made a major trade policy shift and replaced her import-substitution policies of the 1960s with an export-oriented approach, through a series of strategic initiatives. A similar approach was later taken by Malaysia's regional associates in ASEAN. This resulted in important structural changes in Malaysia's resource allocation. Malaysia succeeded in replacing its traditional reliance on agriculture and primary commodities (rubber and tin) by a diversified economy,

principally based on manufactures. During the 1970s, the introduction of a new policy to diversify further the manufacturing sector contributed to the rise of the manufacturing sector's share in GDP to 12 per cent as compared to 5 per cent in the 1960s. This phenomenon reflected Malaysia's growing integration into the international production process.

11. In 1993 Malaysia's exports to the South were 36.2 per cent (RM 3/ 43.9 billion) of her global exports (RM 121.2 billion). Exports to ASEAN (RM 33.7 billion) constituted 76.9 per cent of Malaysia exports to the South, followed by the People's Republic of China (7 per cent), West Asia (4.2 per cent); South Asia (4.2 per cent); South America (3.3 per cent); Africa (2.0 per cent); and, Indochina (0.9 per cent). 4/ Beyond ASEAN, Malaysia's major export markets in 1993 were Pakistan, Saudi Arabia, United Arab Emirates, Mexico, India and Egypt (see table 1 and chart 1).

Table 1

Gross exports by major individual countries and groups of countries

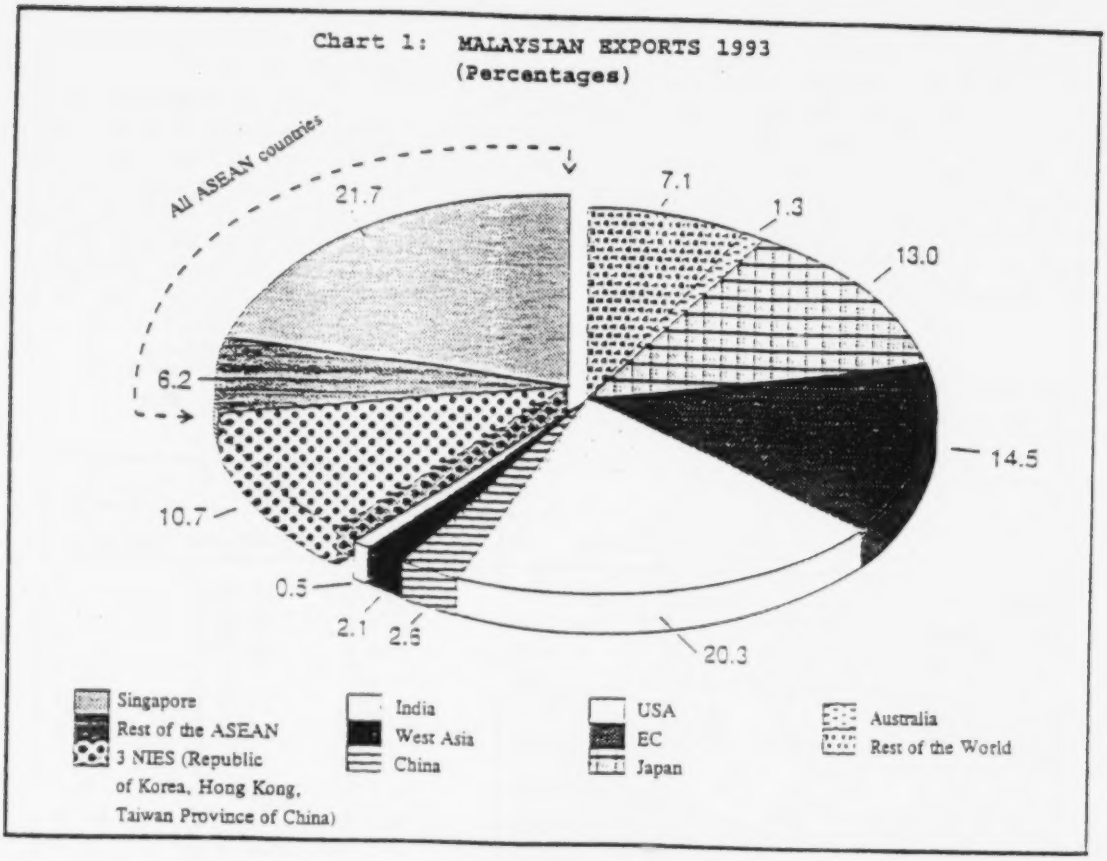
(millions of ringgit)

	1993 a/		1992	1993 a/
	RM	%	Percentage change	
ASEAN	33 783	27.9	10.4	10.7
Singapore	26 308	21.7	8.3	10.3
Thailand	4 359	3.6	25.6	15.2
Indonesia	1 398	1.2	-7.0	8.5
Philippines	1 235	1.0	33.8	1.6
Brunei Darussalam	483	0.4	18.1	26.8
EC	17 550	14.5	10.2	13.9
United Kingdom	5 102	4.2	0.9	22.2
Germany	4 431	3.7	21.5	6.6
Netherlands	2 949	2.4	10.7	16.9
Others	5 068	4.2	9.9	11.3
Japan	15 729	13.0	-6.2	13.0
United States	24 632	20.3	20.6	27.8
Taiwan Province of China	3 888	3.2	25.8	20.4
Australia	1 617	1.3	7.3	-6.6
China	3 094	2.6	11.4	57.8
Republic of Korea	4 155	3.4	-14.9	17.1
Hong Kong	4 995	4.1	23.7	27.3
India	549	0.5	25.3	-49.9
West Asian countries	2 596	2.1	17.6	20.3
Rest of the world	8 630	7.1	16.5	27.3
TOTAL	121 218	100.0	9.7	16.9

Source: Department of Statistics, Malaysia.

a/ Preliminary.

RM: Value in ringgit of Malaysia.



12. Of total imports of RM 117.4 billion in 1993, Malaysia sourced RM 23.2 billion worth of imports from the ASEAN region (19.8 per cent). Most ASEAN imports came from Singapore. Other sources in the region were: Republic of Korea (3 per cent); China (2.4 per cent); and India (0.9 per cent) (see table 2 and chart 2). Within ASEAN, Singapore is Malaysia's predominant trading partner followed by Thailand, Indonesia, Philippines and Brunei Darussalam. The imports/exports position of 1993 Malaysian intra-ASEAN trade appears in chart 3.

Table 2

Gross imports by major individual and groups of countries

(millions of ringgit)

	1993 a/		1992	1993 a/
	RM	%	Change in %	
ASEAN	23 218	19.8	3.3	12.0
Singapore	17 886	15.2	1.6	12.0
Thailand	2 916	2.5	2.6	15.9
Indonesia	1 846	1.6	16.6	13.9
Philippines	563	0.5	23.7	-7.8
Brunei Darussalam	7	..	..	62.8
EC	13 603	11.6	-8.3	7.6
United Kingdom	3 667	3.1	-25.8	5.8
Germany	4 483	3.8	-5.5	5.0
Netherlands	917	0.8	-2.9	6.8
Others	4 536	3.9	6.2	12.1
Japan	32 230	27.4	0.3	22.2
United States	19 854	16.9	3.7	23.9
Taiwan Province of China	6 292	5.4	4.6	9.2
Australia	3 575	3.0	13.1	15.2
China	3 325	2.8	-16.5	23.2
Republic of Korea	2 818	2.4	12.2	13.5
Hong Kong	2 368	2.0	11.7	2.9
India	1 025	0.9	15.4	13.6
West Asian countries	1 070	0.9	-1.8	23.7
Rest of the world	8 049	6.9	-3.3	9.1
TOTAL	117 427	100.0	0.6	15.8

Source: Department of Statistics, Malaysia.

a/ Preliminary.

RM: Value in ringgit of Malaysia.

Chart 2: MALAYSIAN IMPORTS 1993
(Percentages)

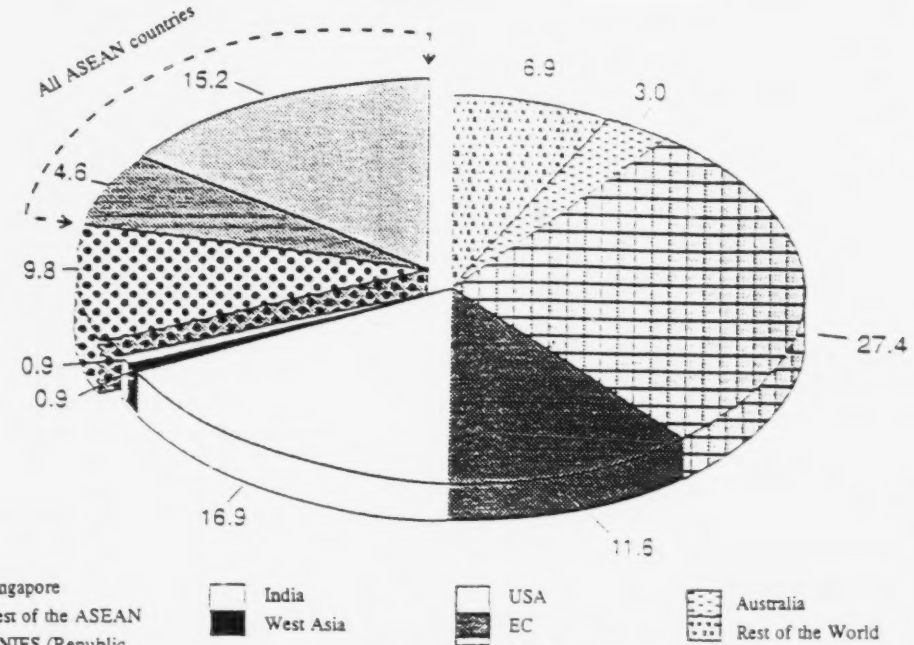
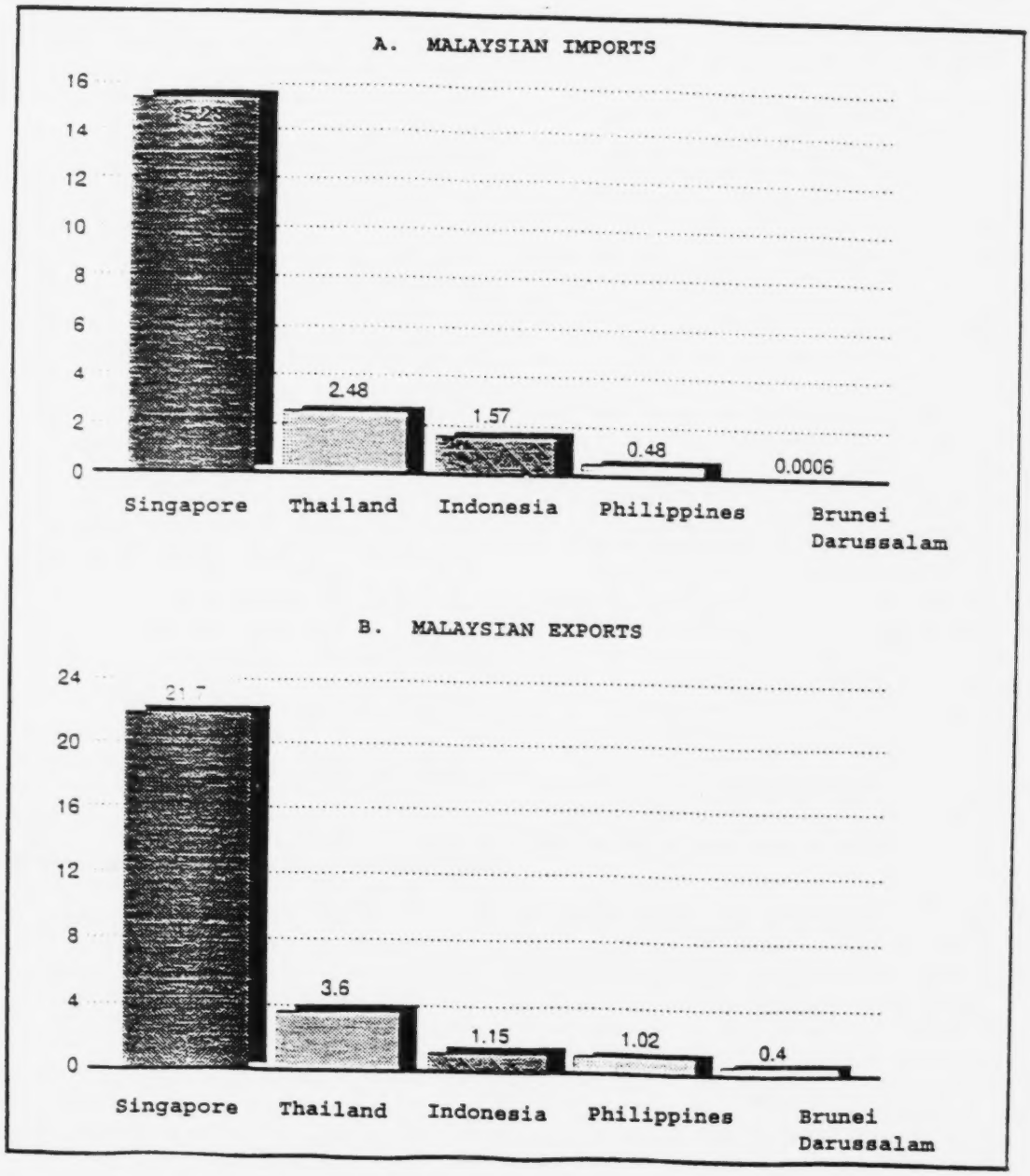


Chart 3: MALAYSIA'S INTRA-ASEAN TRADE

(1993, percentage shares)



Source: Based on preliminary estimates by the Department of Statistics, Malaysia.

II. MALAYSIA AND SOUTH-SOUTH COOPERATION

13. Malaysia has traditionally strongly supported South-South cooperation through international conferences and forums. More specifically, Malaysia's support to ECDC has been pronounced in the context of the Ministerial Level Group of 77 Conferences within UNCTAD, the New International Economic Order (NIEO) of the Sixth and Seventh Special Sessions of the General Assembly of the United Nations, the Mexico Conference on Economic Cooperation among Developing Countries (1976), the Arusha Programme of Action for Collective Self-reliance (1979), the Caracas Programme of Action (CPA) adopted by the High Level Conference on ECDC (1981), Declarations on collective self-reliance among non-aligned and other developing countries and within the framework of Conferences of Heads of State or Governments of non-aligned countries. The most recent and important involvement of Malaysia on the ECDC front has stemmed from the concretization of the "Fortress Europe" and impending failure in the late 1980s and early 1990s of the Uruguay Round in response to which the process of regionalization on the American continent became crystallized within NAFTA and Enterprise America. This concern was manifested in the creation of the Summit Level South-South Group (G-15) discussed in paragraphs 20 to 28 below.

Box 1

"There should be democracy not only within Nations but also between Nations ... We must create new approaches to enable the South to benefit from the wealth of the South. We must learn from each other. And we must stand together when faced with common problems."

H.E. Dr. Mahatir Mohamad
Prime Minister of Malaysia
First Summit of the G.15,
Non-Aligned and Developing Countries
Kuala Lumpur 1990

"South countries are beginning to realize that they have the resources and potential to develop and grow, and to develop their own economic resilience if only they know how to go about it. That is why South-South cooperation becomes more meaningful."

Rafidah Aziz
Minister
International Trade and Industry
Malaysia

14. Malaysia's trade and investment linkage has largely been built around Japan, the United States of America, and the European Union. Singapore, China, Thailand and the Republic of Korea - countries from the South - are also important trading partners albeit not to the same degree as the three giants from the North. With a view to diversifying trade linkages, ECDC is a cornerstone of Malaysia's international economic policy. The country's geographical, political, cultural and economic realities necessitate that ASEAN be accorded foremost priority in Malaysia's international economic relationships. Consequently, ASEAN (members: Malaysia, Indonesia, Singapore, Thailand, Philippines, Brunei Darussalam) assumes a pre-eminent position within the context of Malaysia's South-South cooperation. Within the ASEAN

framework, this cooperation covers, inter alia, trade liberalization, economic-policy coordination, financial and banking linkages, clearing arrangements, and infrastructural development.

15. Malaysia's general support to the aims and objectives of ECDC has met with, more often than not, concrete implementation at the national level. Materially, Malaysia helps (financially and technically) several institutions, programmes, projects and initiatives on South-South cooperation at interregional, regional/subregional and bilateral levels. The country's record of performance, as outlined below, shows the seriousness with which Malaysia has lived up to her commitments to ECDC.

A. Interregional

(a) GSTP

16. Malaysia is one of the 48 original signatories to the interregional Global System of Trade Preferences (GSTP). The Second Round of the negotiations under the GSTP has been launched and Malaysia is actively participating.

(b) Producers associations

17. Alongside other developing countries, Malaysia is a member of the Association of Natural Rubber Producing Countries, the Association of Tin Producing Countries and the International Pepper Community.

(c) South Commission

18. In the wake of the meagre results achieved in implementing the so-called New International Economic Order (NIEO), launched in the 1970s, and the Caracas Plan of Action, in 1982, efforts to establish the South Commission were undertaken by intellectuals and political leaders from the South. The Malaysian Government's support to this process was pre-eminent (see box 2).

Box 2

South Commission

The Prime Minister of Malaysia headed the Steering Committee which had been set up, at an international meeting held in Malaysia, to make the preliminary arrangements for the formation of the South Commission. The combined contribution of the Malaysian Government (US$ 400,000) and the Malaysian private sector (US$ 376,900) to the Commission was US$ 776,900 which exceeded individual contributions of all other developing countries. This gesture of Malaysia was profusely acknowledged by the Chairman of the South Commission who stated:

"The final initiative was taken by Prime Minister Mahatir Mohamad of Malaysia after a meeting organized in Kuala Lumpur by the Third World Foundation and the Malaysian Institute of Strategic and International Studies. It is he who came to see me in Dar es Salaam, and who announced to the Non-Aligned Movement Summit Meeting in Harare in 1986 the intention to establish the South Commission under my Chairmanship."

19. The Commission included a prominent Malaysian, Tan Sri Ghazali Shafie, among its 28 members. The Second Plenary meeting of the Commission was hosted by Malaysia (Kuala Lumpur, 1 to 3 March 1988). The Commission's report contained a "Programme of priority action for South-South cooperation", covering several important proposals for a South secretariat, summit level South-South consultations, the concept for including an explicit commitment to South-South cooperation on national policies and plans, a South bank and other schemes for strengthening South-South cooperation. 5/

(d) Summit level Group for South-South Consultation and Cooperation

20. Following the South Commission's report, Malaysia took the lead in the establishment, in 1989, of a summit level Group for South-South Consultation and Cooperation 6/ (Group of 15) which included Malaysia. 7/ The first meeting of the G-15 was held in Kuala Lumpur from 1 to 3 June 1990.

21. At its second annual meeting (Caracas, Venezuela, from 27 to 29 November 1991), the Group of 15, with the active participation of Malaysia, prepared a position paper on the new world order. As a member of that summit level Group, Malaysia fully subscribed to that position paper. The pronouncements made by the Group of 15, where Malaysia led, initiated and supported several projects on regional and South-South cooperation, leave no doubt about the importance attached to ECDC in a South-South context and commitments to evolve "viable projects open to all other developing countries". A list of the Group of 15 projects approved at these summit meetings along with the countries responsible for coordinating them appears in annex II. (See also boxes 3 and 4 below.)

Box 3

"Regional economic groupings

The emphasis being placed by developing countries on the process of economic integration is welcomed, and the creation of regional and subregional groups in the South should constitute one of the prime aspects of South-South cooperation. These groups are in fact an asset to the development of dynamic and mutually beneficial cooperation between the countries concerned. The collective efforts of the South, through such cooperation, will help to build a negotiating platform that will offer the developing countries the status of a genuine partner in their relations with the North.

The present global trends towards economic integration, aimed at extending markets, increasing productivity and competitiveness and generating investment, must also be welcomed and encouraged. This trend, however, presents risks that must be firmly and resolutely faced by acting in such a way that the main aim continues to be the creation of an open and transparent world trading system."

Source: G-15 Position Paper, 2nd Annual Meeting, Caracas, November 1991.

Box 4

"South-South cooperation

An essential feature of the new international consensus on development is encouragement and support for South-South cooperation as a means of moving towards, on the one hand, increased collective self-reliance and, on the other, sustained development nationally and regionally as well as globally.

South-South cooperation is an integral part of the strategy for giving a fresh impetus to international cooperation for development. The countries of the South must make full use of the possibilities for strengthening their links with each other so as to consolidate the foundations of their collective self-reliance. This implies developing and multiplying contacts, enhancing closer and more direct communication and transport links, the flow and exchange of information and knowledge, cultural exchanges and the harmonizing of positions on international questions. In this regard, it would be judicious to perceive the development of this cooperation in terms of an evolving process into which the countries concerned must enter by way of viable projects open to all other developing countries."

Source: G-15 Position Paper, 2nd Annual Meeting, Caracas, November 1991.

22. The various projects identified by the Group of 15 include a South Investment, Trade and Technology Data Exchange Centre (SITTDEC); the Financial Mechanism to Enhance Trade; a business and investment forum; the strengthening of the GSTP; the South-South Trade Fair; establishment of a gene bank and fabrication of solar cell refrigerators. Three of those projects discussed below have been targeted for immediate implementation. Malaysia's concrete support to those projects is also discussed below.

(i) South Investment, Trade and Technology Data Exchange Centre (SITTDEC)

23. The SITTDEC project was proposed by Malaysia within the Group of 15. As efforts to develop stronger economic linkages among countries of the South were felt to be constrained by lack of contacts and information concerning their market opportunities, ways were sought to overcome this important gap in information gathering and dissemination. SITTDEC was thus established. Through its central information and data centre, SITTDEC has quickly taken up an important role in South-South cooperation by providing relevant, authoritative and accessible information to Governments, organizations, corporations and individuals on trade and investment policies and opportunities, types of incentives, tax and tariff rates, macroeconomic statistics, business contacts, trade regulations, technology availability, and country and company profiles.

24. SITTDEC's membership is open to all developing countries' trade organizations and businesses. Its 16 member States are found in: Africa (six), namely, Algeria, Egypt, Nigeria, Senegal, Tunisia and Zimbabwe; Asia (four) - Malaysia, India, Indonesia and the Islamic Republic of Iran; and, Latin America/Caribbean (six) - Argentina, Chile, Cuba, Ecuador, Jamaica and Venezuela. SITTDEC has about 613 subscribers, of which the majority are from India and Malaysia. Some subscribers have concluded trading contracts worth between US$ 10,000 to US$ 5 million per contract. The following four transactions are worthy of mention:

(a) Seller: AMP Volt (Malacia)

Buyer: SOSEM (Senegal)

Product: Uninterrupted Power Suppliers for PCs

Value: US$ 33,900

(b) Seller: Versatec (Malaysia)

Buyer: Sarawak State Economic Development Corp. (Malaysia)

Product: Activated carbon making machinery

Value: US$ 1 million

(c) Sellers: Companies in: Thailand, Philippines, Viet Nam, China, Indonesia

Buyer: Versatec (Malaysia)

Product: Semi-processed coconut shell carbon (1,200 tons)

Value: US$ 220,800

Box 5

SITTDEC: A G-15 project

The Statute governing the operations and organizational structure of SITTDEC was signed by 10 G-15 countries during the second G-15 Summit in Caracas, November 1991. The SITTDEC headquarters was established in Kuala Lumpur in January 1992; development work on the database system and the computer network started immediately. User services started in January 1993.

SITTDEC's initial funding was provided by Malaysia (US$ 4 million) and some voluntary contributions from India (US$ 25,000) and Nigeria (US$ 50,000). Malaysia has so far covered most of the financial and human resource implications for SITTDEC. It is likely also to co-share most of its working capital of US$ 5.26 million to continue its operations to a stage where it can sustain itself. SITTDEC's current strategic business plan aims to achieve the break-even point by 1996.

The number of inquiries have increased tremendously in 1994. For the months of January to March 1994, SITTDEC serviced 1,607 inquiries. The information provided during January to June 1994 by SITTDEC covered 6,640 entries broken down as follows: investment opportunities - 3,543; trade opportunities - 1,740; technology - 422; market information - 215; country information - 191; search for distributors - 17; tariff - 8; regulations - 7; tenders - 1; others 316. Many more countries have now expressed a desire to join SITTDEC. Membership is open.

Source: SITTDEC, Kuala Lumpur

(d) Seller: CAS International Import/Export Co. (Malaysia)

Buyer: A company in Hong Kong

Product: Rubber gloves (two container loads)

Value: US$ 26,400

Among SITTDEC's more prominent success stories was the joint venture investment to build 3,000 housing units in Lagos, Nigeria, between a Malaysian property developer and a Nigerian company doing business in the wood-based industries.

25. At the fourth G-15 Summit of Leaders, held in New Delhi (28-30 March 1994), the G-15 Summit reaffirmed support for the continuing operation of SITTDEC and agreed that member countries should meet their financial obligations. To ensure its viability, it was recommended that SITTDEC should be commercially orientated with subscribers from all developing countries being encouraged to join.

(ii) The Business Investment Forum (BIF) and South-South Trade Fairs

26. Under the umbrella of the G-15, Malaysia with other countries members of G-15, is implementing another G-15 project, the Business Investment Forum (BIF). The BIF is held annually in conjunction with the G-15 Summit. The objective is to enhance technical and economic cooperation, promote commercial exchange and investments, and develop indigenous production capacities through technology transfer among developing countries. In 1993, the BIF was held in New Delhi, India. Simultaneously with the BIF, a South Trade Fair was also held. The Fair provided opportunities for the private sector of the South countries, including Malaysia, to exhibit and promote their products. Eight Malaysian companies participated in the Trade Fair whose objective was to promote trade among the South countries. As the theme of the Fair was "technology", the Malaysian participating companies included manufacturers of scientific and technological equipment. Malaysian companies secured direct sales valued at RM 4.44 million; sales under negotiation were valued at RM 1.42 million. Malaysian businesses participating in trade fairs and trade missions managed to establish new contacts and identify trade prospects, and increased their presence and trade with the South countries.

27. In conjunction with the fourth G-15 Summit (New Delhi, March 1994), a similar Business Forum was held. Some 20 Malaysian corporate leaders participated in the forum, with a view to expanding trade and investments through joint ventures, technological exchanges and tourism. This leaves no doubt that Malaysia is committed to intensifying existing measures to support the activities of business in order to accelerate economic cooperation with countries of the South.

(iii) Financial payment arrangement

28. The third important project (see box 6) relates to establishing a financial mechanism to enhance trade among developing countries. It essentially consists of a set of payment arrangements among pairs of developing countries to be extended regionally or multilaterally. This is supported by bilateral undertakings between pairs of countries and between their central banks, the latter so as to guarantee export payments. In this way, bilateral trade among the participating countries, owing to the additional factor of the sovereign guarantee of export payments, is likely to be encouraged. At a later stage, when several pairs of countries are involved, this financing mechanism is designed to evolve into a multilateral clearing payment arrangement which can foster trade among its developing countries membership.

Box 6

"During the 1990s, the developing countries must, therefore, make an effort to have better control over their own destiny. We have to trade more with each other and depend less on the industrialized countries for our exports and our imports. This, in fact, is the objective of the two projects proposed by Malaysia in the recent G-15 Summit Meeting in Kuala Lumpur. The first project is a bilateral payments system between pairs of countries in the South. In 1988, Malaysia had developed a novel method of trade financing between Malaysia and the Islamic Republic of Iran, which has proved to be very effective in promoting trade between our two countries. We want to use this model to promote trade among all countries in the South. The other project is a multilateral clearing arrangement."

Tan Sri Dato Jaffar Hussein
Governor
Bank Negara Malaysia
SECEN Centre, Kuala Lumpur
16 July 1990

(e) The Organization of Islamic Conference (OIC)

29. Malaysia is an active member of the South-South cooperation carried out within the Organization of Islamic Conference (OIC) which has more than 50 developing country member States. It is also a member of the various organizations under the OIC umbrella, namely, the Islamic Development Bank (IsDB), the Islamic Research and Training Institute (Jeddah), the Islamic Centre for Development of Trade (ICDT, Casablanca), and the Islamic Chambers of Commerce and Industries. Malaysia supports the establishment, within the OIC, of the Trade Information Network for Islamic Countries (TINIC), the OIC Trade Financing Scheme, the Export Credit Insurance and Investment Guarantee Scheme. It provides technical assistance and scholarships for the OIC's human resources development programmes and projects, and hosts and participates in seminars within OIC. The seminar on "Developing a System of Islamic Financial Instruments" is one example. Similarly, Malaysia's Kuala Lumpur Regional Centre for Trade Arbitration made an important contribution to drafting a "Model of Comprehensive Arbitration Rules", for setting up an Arbitration Centre in the Islamic Chamber. Recently, a new private sector organization, the South-East Asian Cooperation Organization (SEACO) aimed at strengthening mutual socio-economic cooperation, has been formed with the active participation of Malaysia. 8/

30. In the field of industrial cooperation and joint ventures, a Malaysian company, called Sime Derby Berhad, had joined with the Islamic Development Bank and several other Arab companies to establish a palm-oil joint venture company (the MISR Gulf Company) in Egypt in 1987. In recognition of Malaysia's positive role within the Islamic Chamber, its Chairman called upon member States to follow the example of Malaysia and to strive to boost the volume of intra-Islamic trade, as well as to expand the role of industrial joint ventures in the development of Islamic countries. 9/

(f) Foreign Direct Investment (inward investment) in Malaysia

31. Intra-investments among developing countries could provide concrete linkages at the enterprise level between and among developing countries. Malaysia has generally been striving to improve its investment climate for FDI from all sources. The phenomenon of increasing the FDI sourced from the developed countries is supplemented with FDI from its ASEAN regional integration partners and other East Asian economies. Thus, a situation is emerging whereby investment is playing an increasingly integrative role in the region.

32. Within the ASEAN context, it may be mentioned that Malaysia, as a member of ASEAN, is committed to promoting and protecting intra-ASEAN investment. Within that framework, intra-investments are accorded: (a) most-favoured-nation treatment; (b) safeguards against nationalization; (c) adequate compensation against expropriation; (d) generous repatriation of profits, dividends, interest, royalties, technical fees and other income; and, (e) repatriation of capital and proceeds from total or partial liquidation of any intra-ASEAN investment. 10/

33. Malaysia is currently implementing its Sixth Malaysia Plan (1991-1995). For the immediately preceding five-year period (1985-90), the status of inflows of foreign investment is as shown in table 3.

34. The sixth Malaysia Plan, 1991-1995, has observed that "foreign investment in approved projects during 1985-90 amounted to US$ 34,908 million, rising by 79 per cent per annum during the period. The main sources of foreign investment in these approved projects were Taiwan [Province of China], Japan, Singapore, United Kingdom, United States, Indonesia and Hong Kong, which together constituted 77.9 per cent of the total proposed foreign investment". Significant developments during the period were: (i) the rapid increase in the inflow of foreign investment from Taiwan Province of China, superseding that of Japan. About one third of the total proposed foreign investment came from the former and a quarter from Japan; (ii) among developing countries (excluding Taiwan Province of China), Singapore was the most important investor in Malaysia; (iii) the Islamic Republic of Iran was the only developing country outside the ASEAN region which committed substantial investments in Malaysia, growing from zero in 1985 to US$ 1,014 million in 1990. Malaysia is conducive to FDI irrespective of the source. Developing countries (particularly NIEs) are increasingly interested in investing in Malaysia, thus creating South-South investment linkages.

Table 3

Total foreign investment in approved projects a/ by country of origin, 1985-1990

(US$ million)

Country	1985	1990	5MP
Hong Kong	28	375	1 170
Indonesia	13	1 083	1 214
Islamic Republic of Iran	0	1 014	1 014
Japan	264	4 213	8 956
Singapore	100	895	2 572
Taiwan Province of China	32	6 339	9 583
United Kingdom	27	867	1 954
United States of America	112	567	1 640
Others	383	2 276	6 706
TOTAL b/	959	17 629	34 908

Source: Sixth Malaysian Plan (1991-1995).

Notes: 5MP = Fifth Malaysian Plan (1986-1990). Loan attributed to foreign interest is apportioned from the total loan according to the percentage of the foreign share in the equity of each project.

a/ Excluding hotels and tourist complexes.

b/ Foreign investment = Foreign equity + Loan attributed to foreign interest.

35. Inward investments in Malaysia are traditionally concentrated in the secondary sector, where the most important recipients of foreign direct investment have been the metals industry, electrical equipment and chemicals (see table 4 below).

36. The industry-wise foreign investment position showing paid-up and fixed assets in companies in production in Malaysia, coming from developed and developing countries, as of 31 December 1992, is given in annex III.

Table 4

Industrial distribution of Foreign Direct Investment flows

Inward flows 1987-1990

(millions of ringgit)

Sector and industry	1987	1988	1989	1990
SECONDARY SECTOR	2 060.0	4 878.0	8 652.7	117 629.1
Food, beverages & tobacco	206.8	578.2	290.7	334.1
Textiles, leather & clothing	55.4	239.2	529.7	904.7
Paper	79.7	34.2	294.2	373.6
Chemicals	325.8	763.5	1 016.4	1 727.3
Coal & petroleum products	-	-	223.8	2 703.1
Rubber products	295.6	935.0	576.0	480.8
Non-metallic mineral products	79.7	73.4	339.0	180.1
Metals	90.8	760.1	961.6	4 843.7
Mechanical equipment	23.4	12.2	143.3	1 167.9
Electrical equipment	752.3	1 151.9	2 720.8	3 773.2
Other transport equipment	12.6	22.4	136.8	279.5
Other manufacturing	137.8	308.1	1 420.5	861.0

Sources: Malaysian Industrial Development Authority (unpublished data). *Report on the Financial Survey of Limited Companies* (Department of Statistics, Malaysia), various issues.

37. In terms of paid-up and fixed assets, Singapore leads all developing countries as a foreign investor in Malaysia. From the ASEAN region, Indonesia, Thailand and the Philippines are the other developing foreign investors. Investments by Hong Kong, Republic of Korea and Taiwan are the most important after Singapore. Bermuda, Panama and Liberia act as intermediaries for foreign direct investment from other sources, mostly transnationals (see table 5).

38. The geographical distribution of foreign direct investment to Malaysia (table 6) shows that over the period 1987-1990 the pace of investment from developing countries had accelerated at a much faster tempo than that from developed countries. While investments from developed countries of 1,308 million ringgit in 1987 had increased to 6,705 million ringgit, i.e., by five times that of foreign direct investment sourced from the developing countries over the same period had expanded by more than 14 times, from 751 million ringgit to 10,924 million ringgit. Most of this phenomenal increase is attributable to the regional flows from East, South and South-East Asia; Taiwan being the most dominant investor (see table 6).

Table 5

Malaysia, foreign investment totals

(Paid-up/fixed-assets) from developing countries as at 31 December 1992 (excluding hotel and tourism projects)

(RM thousands)

Country	Total	
	Paid-up	Fixed asset
Arab countries	41 796	18 550
Bermuda	88 625	130 984
Brunei Darussalam	951	869
China, People's Republic of	6 344	6 524
Cyprus	2 029	4 986
Hong Kong	411 762	942 983
India	21 854	37 864
Indonesia	58 879	78 965
Republic of Korea	85 466	153 385
Liberia	11 492	24 174
Pakistan	3 559	3 453
Panama	129 442	437 142
Philippines	29 070	37 208
Saudi Arabia	750	451
Singapore	2 368 306	2 890 265
Sri Lanka	342	1 031
Taiwan Province of China	913 818	1 395 851
Thailand	45 731	62 527

Source: MIDA (eqfa-c).

Table 6

Geographical distribution of Foreign Direct Investment flows 1987-1990

(millions of ringgit)

Country or territory	Inward investment			
	1987	1988	1989	1990
DEVELOPED COUNTRIES:	1 308.1	2 977.3	4 625.2	6 705.3
Western Europe	215.0	985.9	1 482.3	1 632.1
European Economic Community	212.5	908.6	1 259.6	1 128.4
Belgium and Luxembourg	12.2	6.3	71.5	37.5
Denmark	15.6	9.5	0.3	22.8
France	66.8	524.8	4.9	19.7
Germany, Federal Republic of	28.5	116.8	309.6	126.9
Greece	-	1.5	-	-
Ireland	-	-	4.5	-
Italy	12.5	47.7	43.9	13.6
Netherlands	-	5.4	60.8	40.7
United Kingdom of Great Britain and Northern Ireland	76.8	196.5	764.1	867.2
Austria	-	7.0	-	-
Finland	-	33.2	165.6	-
Norway	-	-	-	1.9
Sweden	2.6	31.2	-	481.3
Switzerland	-	5.9	57.1	20.6
North America	212.1	540.3	337.0	648.4
United States of America	162.7	535.2	320.8	567.3
Canada	49.4	5.2	16.3	81.0
Other developed countries	841.3	1 249.9	2 720.2	4 293.2
Australia	126.1	25.5	29.8	54.3
Japan	715.1	1 222.0	2 690.4	4 212.6
New Zealand	-	2.5	-	26.3

Table 6 (continued)

Country or territory	Inward investment			
	1987	1988	1989	1990
DEVELOPING COUNTRIES:	751.8	1 898.7	4 027.5	10 923.8
Africa	4.9	-	-	-
Mauritius	4.9	-	-	-
East, South and South-East Asia	687.8	1 759.2	3 764.7	9 625.9
Brunei Darussalam	-	-	-	0.3
China	8.7	-	11.3	9.7
Hong Kong	88.9	298.4	352.1	375.0
India	79.8	89.0	0.8	219.0
Indonesia	1.6	23.2	105.4	1 083.3
Philippines	0.2	-	0.3	40.6
Republic of Korea	3.6	41.8	188.9	650.4
Singapore	258.5	419.6	914.7	895.3
Sri Lanka	0.2	-	22.4	8.0
Taiwan, Province of China	243.0	829.6	2 159.9	6 339.1
Thailand	3.3	57.5	8.9	5.3
Western Asia	-	11.2	4.5	1 058.4
Iran, Islamic Republic of	-	-	-	1 013.7
Jordan	-	-	4.5	-
Saudi Arabia	-	-	-	44.7
Syrian Arab Republic	-	3.5	-	-
Other	-	7.7	-	-
Latin America and the Caribbean	36.3	-	183.7	25.1
Bermuda	1.4	-	-	-
Panama	23.3	-	183.7	25.1
Other	11.7	-	-	-
Eastern Europe and the former USSR	-	2.0	-	-
Bulgaria	-	2.0	-	-
TOTAL	2 060.0	4 878.0	8 652.7	17 629.1

Sources: Malaysian Industrial Development Authority, unpublished data.

Notes: Foreign direct investment inflow data reflect approved foreign equity and foreign investors' shares in total loans in the secondary sector, as reported by the Malaysian Industrial Development Authority. The geographical breakdown is by country where the foreign investor is located, which is not necessarily where the parent company is headquartered. For 1987, other Latin America and the Caribbean consist of the Bahamas. For 1988, other Western Asia consists of the United Arab Emirates. Data for other countries not available separately have been distributed among developed and developing areas in proportion to their share in the total for all countries.

39. The current equity policy in relation to new investments in Malaysia has the following important features:

(a) Foreign investors are permitted to hold whatever level of equity of up to 100 per cent if the company exports 11/ 80 per cent or more of its production, irrespective of whether or not the company's products compete with products presently being manufactured locally for the domestic market.

(b) The levels of equity participation for other export-oriented projects are as follows:

(i) For projects exporting between 51 per cent to 79 per cent of their production, foreign equity ownership up to 51 per cent will be allowed; however, foreign equity ownership of up to 79 per cent may be allowed, depending on factors such as the level of technology, spin-off effects, size of the investment, location, value-added and the utilization of local raw materials and components.

(ii) For projects exporting between 20 per cent to 50 per cent of their production, foreign equity ownership of between 30 per cent to 51 per cent will be allowed, depending upon similar factors as mentioned above; however, for projects exporting less than 20 per cent of their production, foreign equity ownership is allowed up to a maximum of 30 per cent.

In both the above cases, the company may manufacture products irrespective of whether or not the products compete with those presently manufactured locally for the domestic market. For projects producing products that are of high technology or are priority products for the domestic market, foreign equity ownership of up to 51 per cent will be allowed.

(c) Where foreign equity is less than 100 per cent, the balance of the equity to be taken up by Malaysia should be allocated according to some prescribed principles and formulas designed to give participation to the bumiputeras in the equity. For details see annex IV, part A.

Similarly, some special provisions on equity policy are applied to existing companies and to projects involving non-renewable resources. For details, see annex IV, parts B and C.

40. The latest position of Malaysia's foreign investment (see table 7) during 1991-1993, shows a downward trend from most of the developed and developing sources. This downward trend was striking in 1993. This phenomenon is due to the global economic slow-down of the early 1990s which depressed the outflow of foreign direct investment. Prior to that, in the late 1980s, Malaysia had further liberalized its foreign investment regime and policies with different incentives, facilities and promotional activities. Those initiatives came in conjunction with the relatively favourable external factors deriving from the increasing production costs in Japan and the Asian NIEs which deflected their investments outwardly. The impact of those trends followed the influx of foreign direct investment to Malaysia. This reached a climax during 1990 to 1992 then faded thereafter.

Table 7

Malaysia's foreign investment approvals by country 1991 to 1993

(millions of US dollars)

Country	Total investment		
	1991	1992	1993
North America			
United States of America	706.0	1 261.4	635.2
Canada	24.9	8.5	2.5
Japan	1 454.9	1 026.6	572.8
NIE's			
Hong Kong	235.8	30.1	34.2
Republic of Korea	714.0	38.0	36.5
Taiwan, Province of China	1 416.1	573.6	326.3
ASEAN			
Indonesia	487.9	183.7	67.0
Philippines	0.9	7.0	0.7
Singapore	437.5	169.2	187.9
Thailand	5.7	0.6	3.0
EU			
Belgium	21.5	-	-
Denmark	74.2	5.7	86.1
France	10.6	1 555.1	11.2
Germany	75.9	27.8	12.4
Ireland	-	286.8	-
Italy	11.3	0.4	3.9
Luxembourg	3.5	3.1	-
Netherlands	**0	53.9	23.0
United Kingdom	214.4	498.7	13.2
Oceania			
Australia	161.2	812.9	19.0
New Zealand	23.8	0.3	**0
Other Europe			
Austria	17.9	-	-
Cyprus	-	1.0	-
Finland	3.2	8.8	5.1
Norway	**0	-	8.9
Sweden	0.1	10.7	5.7
Switzerland	20.4	30.9	4.2
Other Asia			
Saudi Arabia	2.8	-	-
United Arab Emirates	0.5	-	-
People's Republic of China	156.8	3.7	41.9
India	9.1	20.1	12.0
Others	404.8	178.4	82.3
Total	6 695.7	6 797.0	2 194.9

Source: Malaysian Industrial Development Authority.

Note: Exchange rate: 1991 US$ 1 = RM 2.5472; 1992 US$ 1 = RM 2.6147; 1993 US$ 1 = RM 2.739.

(g) Malaysian Reverse Investment in Developing Countries

41. Malaysia has adopted a conscious policy of favouring investments in the developing countries. Concrete examples of this policy are reflected in Malaysian investments through MASSCORP in Viet Nam, as shown in the current EPZ at Danang and the forthcoming one at Nuoc Man in Viet Nam. A similar policy is being adopted towards other Indochinese and neighbouring developing countries.

42. The latest statistics on Malaysian investment overseas show gross investments of RM 3.4 billion (see table 8) in developed and developing countries. Out of this, Singapore with investments totalling RM 1.1 billion, was the largest developing country beneficiary. China is another developing country which in the same year received RM 0.1 billion worth of Malaysian reverse investments. Other developing countries also benefited from investments from Malaysia, even though the figures may appear modest. The RM 0.3 billion investments shown under "Others" in 1993 are understood to cover such reverse investments to other developing countries.

Table 8

Malaysian Investment Overseas

(RM billion)

Country/year	1990	1991	1992	1993
Singapore	0.5	0.4	0.3	1.1
Hong Kong	0.3	0.3	0.3	0.8
United States of America	0.0	...	0.1	0.6
United Kingdom	0.1	0.1	0.1	0.3
China	...	...	...	0.1
Australia	0.1	0.1	0.1	0.1
Japan	0.3	0.1	0.1	0.1
Others	0.1	0.2	0.3	0.3
TOTAL **	1.4	1.1	1.3	3.4

Source: Cash Balance of Payments Reporting System, Bank Negara Malaysia, Pakistan/BOP 527.

Note: ** Gross investment abroad.
... Negligible.

43. Malaysia has also established investment oriented South-South institutions, Malaysian South-South Association (MASSA) and Malaysian South-South Corporation (MASSCORP). Their objectives and activities are described below.

(i) Malaysia South-South Association (MASSA)

44. The Malaysia South-South Association (MASSA) took shape between 1991 and 1993. In 1991, its original parent organization was named Malaysia South American Association (MASA) which coincided with P.M. Mahatir's trade and investment mission in September 1991 to Argentina, Brazil and Chile. Following a similar mission to Mexico in September of the same year, the name of this association was changed to Malaysia Latin American Association (MALAM). MALAM was subsequently supplanted and subsumed by MASSA. The basic concept and objectives of MASA and MALAM were maintained within the MASSA. However, their canvas of membership was enlarged to include all developing countries of the South. The predominant concern and direction of MASSA is to build investment linkages within the concept of "Malaysia Incorporated". The objectives of MASSA are as follows:

- To foster economic and trade relations between Malaysia and Latin American and other countries of the South;

- To promote and enhance understanding between the private sectors of Malaysia and Latin America and other countries of the South on economic policies and conditions of the respective countries concerned;

- To act as an informal liaison body between the business private sectors and the Government in order to make recommendations and proposals pertaining to economic and other matters so as to achieve the above-mentioned goals;

- To provide a forum for potential Malaysian investors to Latin America and other countries of the South in order to disseminate ideas, hold discussions and open dialogue on matters relating to trade, economy and culture; and,

- To foster friendship and enhance cooperation among members.

45. MASSA's programmes or activities include: a regular newsletter, establishing working groups for each country of the South, participation in dialogue sessions with the Malaysian Government and with the developing countries of the South and organization of trade and investment missions to the countries of the South in tandem with the Ministry of International Trade and Industry.

(ii) MASSCORP

46. Under the umbrella of MASSA, MASSCORP is its investment arm. It is a private company consisting of a consortium of 46 companies, with paid-up capital of US$ 11.26 million. By the end of 1994, MASSCORP expected to double its membership and increase its capital to more than US$ 35 million. Its member companies boast a combined annual turnover of almost US$ 10 billion.

47. The uniqueness of Malaysia - with its diversified economy and exports ranging from agricultural products to manufacturing exports, telecommunications, construction, property development, tourism and hotels to the special services of privatized former State entities, from power utilities

to port-management - provides a strong basis to MASSCORP for investment linkages with the rest of the South. MASSCORP's performance is also described in box 7.

(iii) General Trading Companies (GTCs)

48. In implementing its commitments for South-South cooperation, Malaysia launched, in February 1993, a scheme to promote trade and economic linkages with countries of the South. The Ministry of Trade and Industry (MITI) allocated US$ 720,000 "seed money" to selected local General Trading Companies (GTCs). The Government is also committed to giving GTC companies priority and preferred treatment in trade promotion through participation in trade missions and exhibitions.

49. The GTC's role in implementing an action programme on market development of the South countries is to assist and promote Malaysia's exports, particularly products of small and medium-scale industries and indigenous products under Malaysian brand names. As a start, the Government has identified three GTCs, (Edaran Otomobil Nasional Berhad (EON), Kumpulan Guthrie Berhad and Sime Darby Berhad). With their sound financial standing and extensive foreign network, these GTCs are expected, in cooperation with MATRADE, to spearhead Malaysia's export drive in the countries of the South. The GTCs will formulate and implement a comprehensive programme of activities to enhance cooperation with countries of the South. The Malaysian Government plans to expand the number of GTCs participating in the scheme.

Box 7

To date, MASSCORP has invested US$ 7 million in an 11-storey modern office building in Santiago, Chile. MASSCORP has also signed a joint venture agreement with Quangnam Danang Export Processing Zone Development Corporation (DANEPZONE), to develop jointly two parcels of land totalling 300 hectares in Danang, Viet Nam, into an Export Processing Zone. The project is expected to cost US$ 20 million. In addition, MASSCORP has entered into a joint-venture agreement with a Vietnamese company to undertake a water supply privatization scheme in Ho Chi Minh City on a build, operate and transfer basis. The capacity of the proposed treatment plant is 100,000 cubic metres. In this way it is concretizing the Prime Minister's vision of strengthening ties with South-South interests through investment.

50. The Government will assist the GTCs by supporting their activities through services provided by MITI offices overseas and MATRADE. In that respect, the Government would provide market information on business opportunities, and facilitate meetings and contacts with key officials in the Government and the private sector.

51. Of the three GTCs, two are members of MASSCORP (Edaran Otomobil Nasional (EON) and Kumpulan Guthrie). The companies were chosen for their "international outlook" and diversified activities. Although this programme is a collaborative scheme between the Government and the private sector, it is GTC-led with long-term potential spanning the turn of the century. One of the GTCs (Edaran Otomobil Nasional (EON)) is one of Malaysia's blue-chip stock listings, active in machinery, industrial plant equipment, agricultural commodities, metals, petroleum products and chemicals. It is targeting the

developing markets of Africa, China, India, Indochina, the Islamic Republic of Iran and eastern Russia, with an immediate view toward exporting motor-vehicle components, spare parts and accessories. The aim is to extend internationally Malaysia's achievements at the national level.

B. Regional/subregional cooperation

(a) ASEAN

(i) Policy Exchange Mechanism

52. The most important aspect of Malaysian South-South cooperation is the country's relations with its immediate neighbours within ASEAN (members: Malaysia, Singapore, Brunei Darussalam, Indonesia, the Philippines). Malaysia's intra-ASEAN relationship ranges from general ASEAN-level economic policy exchanges to cooperation in various economic sectors such as trade, investment, industry, physical infrastructure, telecommunications, research, services sector, etc. The introduction of an ASEAN policy-level dialogue is a comparatively recent aspect of cooperation. 12/ Named a "Policy Exchange Mechanism (PEM)", this has been instituted in the light of the increased momentum of economic cooperation within the ASEAN region. It provides a useful framework to discuss informally policies and issues of common interest of ASEAN member countries in the field of economic development. The first topic selected for discussion under the mechanism was industrialization policies in the ASEAN region. A similar mechanism in other developing countries, particularly within economic groupings still lacking similar provisions, could contribute towards enhancing mutual awareness of macro-economic policies, as well as help generate greater coordination and mutual consistency on relevant policies.

(ii) Intra-ASEAN trade

53. ASEAN is economically more important to Malaysia than to other member countries. In intra-ASEAN trade, Singapore plays a pivotal role. However, owing to its strong and extensive extraregional linkages and the constraints imposed by its small size, Singapore probably relies less on ASEAN than does Malaysia. Malaysia is second to Singapore in terms of intra-ASEAN trade. If trade in oil and inter-port trade of Singapore were excluded, Malaysia might well be the lead player in intra-ASEAN trade (see table 9).

54. The 1993 level of Malaysian imports/exports shows that in percentage terms, Malaysian exports to the ASEAN region were 25.8 per cent of her global exports; by 1990 this had improved to 29.1 per cent dropping slightly to 27.86 per cent by 1993. This upward movement of Malaysian exports to ASEAN was not matched by imports. Thus, Malaysian imports from ASEAN, which in 1985 formed 22.4 per cent of total trade, dropped to 19.0 per cent in 1990 and were further drastically reduced to 9.77 per cent in 1993. This was owing to the stagnation of Malaysia's imports from the Philippines in value terms and a halving in percentage terms. Malaysian imports from Thailand likewise did not keep pace with the general rise of its global imports. This resulted in a down swing of imports sourced from Thailand (from 3.5 per cent to 2.48 per cent of total imports) (see table 10).

Table 9

Malaysian trade performance in intra-ASEAN trade, 1993

(millions of US dollars)

	Import from ASEAN	Export to ASEAN	Total Exchange
Brunei Darussalam	negligible	negligible	negligible
Indonesia	2 604.1	4 745.8	7 349.9
Malaysia	8 761.5	12 748.2	21 509.7
Philippines	1 893.7	755.3	2 649.0
Singapore	21 723.1	18 575.7	40 298.8
Thailand	5 709.1	5 927.6	11 636.7

Sources: Computed/estimated from Malaysian National Statistical Office data.

Table 10

Malaysia's trade with ASEAN countries (1985, 1990 and 1993)

(RM million)

	1985		1990		1993	
	Export	Import	Export	Import	Export	Import
Brunei Darussalam	76.37 (0.2)	2.61 (neg)	229.35 (0.3)	3.09 (neg)	483.44 (0.40)	7.387 (0.006)
Indonesia	163.02 (0.4)	344.27 (1.1)	925.63 (1.2)	854.68 (1.1)	1 397.66 (1.15)	1 845.884 (1.57)
Philippines	912.01 (2.4)	571.11 (1.9)	1 064.90 (1.3)	427.82 (0.5)	1 235.446 (1.02)	563.138 (0.48)
Singapore	7 356.83 (19.4)	4 827.78 (15.9)	18 141.15 (22.8)	11 861.40 (15.0)	26 307.303 (21.70)	17 885.540 (15.23)
Thailand	1 297.18 (3.4)	1 077.15 (3.5)	2 790.48 (3.5)	1 901.97 (2.4)	4 358.805 (3.60)	2 916.051 (2.48)
Total ASEAN	9 805.41 (25.8)	6 822.92 (22.4)	23 151.51 (29.1)	15 648.96 (19.0)	33 782.671 (27.86)	23 218.000 (9.77)
Malaysia's Total trade	38 016.73	30 437.83	79 646.37	79 118.57	121 241.199	117 423.376

Source: Department of Statistics, Malaysia.
(neg) = negligible.

(iii) ASEAN Free Trade Area, CEPT/AFTA: Malaysia's role

55. Within the framework of ASEAN, member countries decided at the ASEAN fourth summit meeting (January 1992, Singapore) to establish an ASEAN Free Trade Area (AFTA). The AFTA timetable envisaged a reduction of tariffs to a range of 0 to 5 per cent and the dismantling of non-tariff barriers (NTBs) over 15 years (by the year 2008). The main instrument for achieving the free trade area is the Common Effective Preferential Tariff (CEPT) formula, which adopts a quicker sector-by-sector approach in the elimination of trade barriers as compared to the slow pace under the previous ASEAN PTA's product-by-product approach. Apart from the "growth dividend", resulting from closer regional integration, AFTA is expected to bring about a more efficient allocation of resources within the region, improve product quality and competitivity, as well as provide a larger and varied base for industrialization, thereby attracting more FDI.

56. CEPT's two-track elimination of tariffs consists of a fast and a normal tariff-reduction plan. For its implementation, Malaysia announced changes in 3,776 tariff lines (at HS 9-digit level) commencing on 1 January 1994. 13/ Malaysia accounts for as much as 60 per cent of CEPT exports but only 13 per cent of CEPT imports. Thus, Malaysia is clearly the most important supplier of CEPT items within ASEAN, and stands to gain the most from AFTA.

57. To accelerate the implementation of CEPT, ASEAN members (at the AEM Meeting held in October 1993) introduced an initial package of tariff reduction with effect from 1 January 1994. Under it Malaysia offered 3,431 items (see table 11).

Table 11

Summary of tariff lines as at 1 January 1994
Package offered by ASEAN countries

Country	Fast track	Normal track	Total
Brunei Darussalam	813	595	1 408
Indonesia	1 541	460	2 001
Malaysia	1 516	1 915	3 431
Philippines	599	453	1 052
Singapore	346	27	373
Thailand	758	569	1 327

Source: ASEAN secretariat.

58. To implement this commitment, Malaysia has introduced relevant gazette notification (Malaysia's Customs Act 1967) called "Customs Duties for Goods of ASEAN Countries Origin under the Common Effective Preferential Tariff Scheme". To maintain momentum in the implementation of CEPT, the ASEAN secretariat will compile and analyse intraregional trade statistics on a quarterly basis.

(iv) Industrial cooperation (AIPs, AICs and AIJVs)

59. Under the ASEAN industrial cooperation programme, Malaysia has a Urea project as an ASEAN Industrial Project (AIP). It has also participated in the ASEAN Brand-to-Brand Complementation (BBC) in which Malaysia is a co-participant with Thailand for production of Volvo model 740. 14/ The exchange of automotive parts between Malaysia and Thailand under the BBC scheme was subsequently approved. 15/ Within the ASEAN Industrial Joint Ventures (AIJVs), which involves the private sector for medium and small industrial schemes, Malaysia continues to participate.

(v) ASEAN Swap Arrangement (ASA)

60. The ASEAN Swap Arrangement (ASA), in which the Malaysian Bank Negara is a member, was extended for five years with effect from 5 August 1992 through the signing of the Fifth Supplementary Agreement. Established in August 1977, it provides short-term liquidity to member countries with a temporary balance-of-payments need. The credit available under ASA is US$ 200 million; the maximum outstanding amount held by any member should not exceed US$ 80 million. 16/

(vi) ASEAN dialogue partnership: (Malaysia/India cooperation)

61. Within ASEAN there is an institutional mechanism for "dialogue" with ASEAN "Development Partners". Traditionally this was limited to developed countries (EEC, USA, Japan, et al.). Later, the Republic of Korea, because of its technological and industrial advancement and its investment capacity, was added as the first developing country to become an ASEAN Dialogue Partner. China also maintains a consultative relationship with ASEAN. At the fourth ASEAN summit (January 1992), following a request from India 17/ in 1991, India was approved as sectoral dialogue partner of ASEAN. Among the areas identified for Indian-Malaysian cooperation, within the "ASEAN dialogue" are included expansion of trade and cooperation on research. Petroleum has been identified as a sector for Indo-Malaysian cooperation. The Malaysian Palm Oil Research Development Board is already financing a research project being carried out by the Indian Regional Research Laboratory (RRL), TRIVANDRUM on "Red Palm Oil and RBD Palmolein on Serum Lipid". Similarly, two bilateral contracts were signed in 1992 between the Indian Railway Construction Company and the Malaysian Railway Administration for the construction of railway bridges, roads, over-passes and tunnels in Malaysia. The ASEAN-Developing Dialogue Partnership has a significant growth potential. Pakistan is likely to join. The ASEAN "Dialogue Relationship" has been discussed at length in an UNCTAD document on ASEAN (see UNCTAD/ECDC/321). Both at country and grouping level well-structured dialogue relationships could serve to broaden, strengthen and deepen South-South relationships.

(vii) The ASEAN national secretariat of Malaysia

62. To provide national focal points for economic cooperation and integration within the ASEAN framework, all ASEAN member countries have their respective ASEAN national secretariats. They are linked with the organizational structure of ASEAN at the grouping level through ASEAN Standing Committee

(ASC) meetings. The Malaysian national secretariat is headed by a Director General under whom are two Deputy Directors General, each heading a separate directorate (see annex V).

(b) ASEAN financial interdependence: Malaysia's role

63. In the context of the growing intra-ASEAN trade, the aspect of settlement in ASEAN currencies assumes significance. Computations made in 1982 revealed that 51.1 per cent of Malaysia's international payments had been settled in the ASEAN region that year. ASEAN currencies used for effecting those payments and receipts amounted to 17.5 per cent 18/ of which the Malaysian ringgit counted for 10.3 per cent and the Singapore dollar for 7.2 per cent. The United States dollar was the major currency used (69.8 per cent).

64. In terms of receipts, 50.9 per cent of the Malaysian international financial receipts were obtained from ASEAN. ASEAN currencies used for this totalled 14.1 per cent (11.8 per cent Malaysian and 2.3 per cent Singaporean).

65. The major currency used by Malaysia and the rest of ASEAN for intra-settlements was, therefore, the US dollar. However, reliance by Malaysia and Singapore on their own currencies for intra-settlements was significant as compared to the negligible use by other ASEAN members of such currencies.

66. Similarly, as compared to the other ASEAN members, Malaysia maintains much stronger banking bonds with the regional financial centre (Singapore). In 1982, Malaysian banks' assets and liabilities were substantially concentrated in Singapore. Almost half (48.8 per cent) of external assets of Malaysian banks and 46.4 per cent of their external liabilities were concentrated in Singapore 19/ in that year. The other ASEAN countries (Indonesia, Thailand and the Philippines) for historical reasons continue "to look to financial centres outside ASEAN as the centre for their external settlements and correspondence relations, as well as international banking ties generally". 20/

67. It was also observed that in 1982, out of a total of 273 companies listed on the Kuala Lumpur Stock Exchange (KLSE), 53 were incorporated in Singapore, then representing 29.8 per cent of the total capitalization of all companies listed on the KLSE. By the same token, of the total 315 companies listed on the Singapore Stock Exchange (SSE), 179 were Malaysia-incorporated, representing 45.2 per cent of the total capitalization of all companies listed in the SSE.

68. The Malaysian example points to the need for other developing countries, when feasible, to adopt policy measures and mechanisms to use the currencies of developing countries for their intra-settlements among themselves. To that end, the central banking institutions of those countries should initially adopt practical measures such as mutual bilateral credits covering a part of the intra-settlements.

(c) Growth triangles

69. Malaysia is a member of each of the three so-called "growth triangles" within ASEAN. They are: Southern Growth Triangle, Northern Growth Triangle and East ASEAN Growth Area. Table 12 shows Malaysia's membership in the growth triangles within the ASEAN region.

70. These growth triangles are subregional cross-border cooperation entities within the ASEAN region. Geographically contiguous or neighbouring underdeveloped areas or islands of ASEAN members are earmarked to become a single investment and trading entity with its own autonomous customs regime and fiscal structure. The basic aim of those triangles is to develop the underdeveloped regions of the member countries by maximizing the comparative advantages of each territory and so attract foreign direct investments. Table 12 shows Malaysia's membership in the growth triangles within the ASEAN region.

Table 12

ASEAN growth triangles

Name	Date of establishment	Membership and territories/islands allocated
1. Southern Growth Triangle	January 1991	1. Indonesia: Batam (Riau Islands) 2. Singapore 3. Malaysia: Johor
2. Northern Growth Triangle or Indonesia-Malaysia-Thailand Growth Triangle (IMT-GT)	July 1993	1. Indonesia: Two provinces in northern Sumatra namely, North Sumatra and Special Territory of Aceh 2. Thailand: Five southern provinces in Thailand namely Yala, Narrathiwet, Songkhla, Patani and Satun 3. Malaysia: Four Northern States in Peninsular Malaysia namely Penang, Perak, Kedaa and Johor
3. East ASEAN Growth Area (EAGA) or Brunei-Indonesia-Malaysia-Philippines Growth Area (BIMP-GA)	March 1994	1. Brunei Darussalam 2. Malaysia: Sarawak, Sabah and Labuan in East Malaysia 3. Indonesia: East and West Kalimantan and North Sulawesi 4. The Philippines: Mindanao in the southern Philippines

Source: Government of Malaysia. Also see MITI Report, 1994.

71. The growth triangles are intended to develop under their own special regimes, as commonly agreed upon by the member countries. They are provided with planned infrastructure. They are expected to become dynamic points of growth and subregional cooperation. Malaysia's contribution to each triangle is shown in box 8.

Box 8

ASEAN Growth Triangles: Malaysia's contribution

1.	Southern Growth Triangle	Training, setting up of the Skills Development Centre, cooperation on industrial development, tourism, agriculture, infrastructure and human resource development.
2.	Northern Growth Triangle IMT-GT	Penang (Malaysia) is expected to act as the focal point for IMT-GT owing to Penang's: - advanced infrastructure - advanced heavy, electrical and electronic industries. Penang's labour-intensive industries could be relocated in the Indonesian Northern Sumatra and the South of Thailand, both of which have abundant natural resources and labour supply to facilitate agro-based industries. Kadah (Malaysia) will contribute its capital-intensive and high technology industries.
3.	East ASEAN Growth Area	The entire subregion has abundant natural resources but lacks infrastructure. Tripartite cooperation is expected to be large scale. The contribution of each member country is in the process of being identified with the cooperation of the Asian Development Bank.

(d) Malaysia's relations with the Indochinese States (Cambodia, Lao People's Democratic Republic, Viet Nam), China and Myanmar

72. Since the beginning of the 1990s, the three centrally planned traditional agricultural economies, ex-colonies of Indochina, launched their liberalization and policy reforms known in Viet Nam as Doi Moi (Renovation), NEM (New Economic Management) in the Lao People's Democratic Republic, but nameless in Cambodia. Previously, foreign trade took place mainly with COMECON. Since the mid-1980s, Malaysia, like other ASEAN countries, has encouraged trade and investment linkages with countries having geographical proximity and political and strategic importance to the region. The phenomenal growth of Malaysian trade with Viet Nam was not matched by trade with the Lao People's Democratic Republic. Trade figures for Cambodia were not available. (See also table 13). Malaysia's foreign investments of US$ 78.7 million (see table 14) in Viet Nam (as of February 1992) surpassed

other ASEAN countries. Malaysia also signed three economic pacts with Viet Nam for future investments. Malaysia has pledged to assist Viet Nam in rubber production, management and technical training.

Table 13

Malaysia's exports and imports to Indochinese States

(millions of US$)

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
Viet Nam											
Export	0.1	--	0.6	1.0	0.3	0.6	1.6	3.8	6.9	11.9	7.0
Import	0.2	0.2	1.9	7.6	7.8	12.3	15.0	12.6	24.6	36.4	41.3
Lao People's Democratic Republic											
Export	--	--	0.007	0.02	0.02	0.01	0.12	0.39	1.25	0.06	0.7
Import	1.07	9.92	11.8	--	0.047	0.008	0.12	0.01	1.3	0.28	0.14
Cambodia	--	--	--	--	--	--	-	--	--	--	--

Source: Extracted from tables 18 and 20, "Viet Nam, Laos and Cambodia: The Path to Economic Development", Volume 2, The Sasakawa Peace Foundation.

Table 14

ASEAN's Foreign Investment in Viet Nam

(as of February 1992)

Country	US dollars (millions)
Malaysia	78.7
Thailand	44.0
Philippines	41.9
Indonesia	40.9
Singapore	25.4
TOTAL	230.9

Source: Myo Thant & Vokes, 1992. IBID, Sasakawa Peace Foundation.

73. During Prime Minister Mahatir's visit in 1992, the Governments of Viet Nam and Malaysia agreed to jointly develop an Export Processing Zone (EPZ) at Danang, Viet Nam. In October 1993, a joint venture was established between MASSCORP (discussed earlier in paras. 46 and 47) (65 per cent equity) and Quang Nam Danang EPZ Development Corporation (DANEPZONE) (35 per cent equity). The total investment capital of this joint venture was US$ 24 million and the legal capital amounts to US$ 12 million. This EPZ,

known as MASSDA Joint Venture Corporation, is registered in Viet Nam. Its Board of Commissioners, chaired by Malaysia, consists of eight members from Malaysia and three from Viet Nam. This EPZ, spread over 120 hectares, offers investors development and management expertise of Malaysians who have successfully promoted EPZs in Malaysia, particularly the Penang EPZ. This EPZ is to be followed by yet another EPZ at Nuoc Man, not far from Danang. The special privileges and preferences announced and assured to investors in Danang are:

(a) Exemption from import duty for all equipment, parts, materials and goods imported into the EPZ and from payment of export duty for all goods exported through the EPZ.

(b) Production enterprises are exempted from income tax for four years from the year that the enterprise begins to earn a profit, after which the tax is a flat rate of 10 per cent of the profit earned.

(c) Investors classified as "service" enterprises are exempted from income tax for two years from the year in which the enterprise begins to earn a profit, after which the tax is a flat rate of 15 per cent of the profit earned.

(d) Profit remittance is subject to a lower withholding tax of 5 per cent compared to non-EPZ investments.

(e) Priority is given to investors from the following industries: textiles and garments; leather, leather products and footwear; micro-electronics, electrical appliances and assembly; beverage, food and foodstuff processing; packaging; jewellery, handicrafts; plastics; trading in services; and, assembly of generators, scientific equipment.

74. Since the Cambodian Peace Accord and the withdrawal of Vietnamese troops from Cambodia, Malaysia's growing interest in trade and investment in the Indochinese region is a part of the general phenomenon of an ASEAN-Indochinese shift from confrontation to mutual cooperation.

75. Beyond the Indochinese region, the Malaysian Government is launching a study to identify sectors for two-way cooperation (construction, infrastructure development, reverse investment, trade in goods and services) with the neighbouring economies of the Peoples Republic of China and Myanmar.

(e) The South-East Asian Central Banks Research and Training Centre (SEACEN)

76. Malaysia, through its Bank Negara Malaysia, is one of the founding members of SEACEN 21/ which has ambitious programmes of research training seminars, meetings and workshops on financial, monetary, banking and economic development issues affecting the SEACEN membership.

77. From its informal start in 1972, the Bank Negara hosted the SEACEN Centre. The Bank Negara Malaysia's Staff Training Centre made a significant contribution (e.g., staff, facilities, premises, etc.). In 1977, the SEACEN Centre's building was erected by the Bank Negara Malaysia. A decade later (3 February 1982) the SEACEN Centre was also incorporated in Malaysia (under Malaysia's Companies Act 1965) as a company limited by guarantee without a share capital. The SEACEN Centre continues to share several of its facilities with the Staff Training Centre of Bank Negara.

(f) East Asian Economic Caucus (EAEC)

78. The East Asian Economic Caucus (EAEC), previously East Asian Economic Grouping (EAEG), was an idea presented by Prime Minister Mahatir at the banquet given for Premier Li Peng of China when he visited Malaysia in December 1990. It was proposed in an atmosphere of growing apprehension during the 1990s when the Uruguay Round was seen as coming to a fruitless end and the multilateral trading system about to collapse.

79. The timing of Prime Minister Mahatir's impromptu proposal on EAEG was misunderstood as some sort of an economic "trade bloc" intended to serve both as a fall-back position in the event of the failure of the Uruguay Round and as an Asian alternative to the "Fortress Europe" and Enterprise America or PAX Americana. Later clarifications and refinements by Malaysia allayed those early misgivings. At the fourth ASEAN summit in January 1992, this idea was adopted, becoming not a "Grouping" but a "Caucus" steered by ASEAN members within the broader framework of APEC. 22/

80. The EAEC's main focus is on regional economic cooperation and international economic issues impinging on East Asia. As currently understood, EAEC's role is to serve as a forum for trade and investment liberalization in the region, the reconstruction of Indochina, the implementation of the results of the Uruguay Round in East Asia, and the establishment of the World Trade Organization.

C. Bilateral

81. The Malaysian Government, its Central Bank (Bank Negara), as well as the private sector are involved in several bilateral schemes and agreements with the public and private sector of the developing countries in the South. Other developing countries could study those models to determine the feasibility of adapting them in keeping with their own specific situations and ECDC requirements.

(a) Trade agreements

82. Malaysia has, to date, conventional types of trade agreements with 22 developing countries (see table 15), the latest being with Zimbabwe and Albania.

Table 15

Malaysian Trade Agreements with Developing Countries

Country	Date of Agreement
Albania	24.01.1994
Argentina	01.07.1991
Bangladesh	01.12.1977
Bulgaria	20.05.1968
Chile	21.06.1991
China	01.04.1988
Egypt	08.01.1977
Hungary	02.02.1970
Indonesia	16.10.1973
Iran (Islamic Republic of)	19.03.1989
Iraq	17.02.1977
Democratic People's Republic of Korea	09.06.1979
Republic of Korea	05.11.1962
Libyan Arab Jamahiriya	18.01.1977
Mali	16.11.1990
Pakistan	05.11.1987
Romania	01.03.1991
Tunisia	25.11.1992
United Arab Emirates	26.02.1962
Viet Nam	11.08.1992
Venezuela	26.11.1991
Zimbabwe	09.07.1993

(b) Payment Arrangements

83. The Bank Negara Malaysia has currently 24 bilateral payment arrangements with other developing countries, under one of the models described below (see table 16).

Table 16

Bilateral Payments Arrangements

Central Bank of	Model	Date of signing
Iran (Islamic Republic of)	Iranian	8 August 1988
	POCPA	8 February 1994
Mozambique	Iranian	27 April 1991
Botswana	Iranian	6 June 1991
Fiji	Iranian	12 October 1991
Venezuela	ALADI	3 August 1990
Mexico	ALADI	24 September 1990
Romania	ALADI	20 May 1991
Zimbabwe	ALADI	7 June 1991
Chile	ALADI	21 June 1991
Peru	ALADI	13 November 1992
Algeria	ALADI	31 January 1992
	POCPA	14 June 1992
Pakistan	POCPA	6 August 1992
Seychelles	ALADI	21 September 1992
Tunisia	ALADI	25 November 1992
Iraq	POCPA	28 February 1993
Viet Nam	ALADI	29 March 1993
Uzbekistan	ALADI	28 June 1993
Argentina	ALADI	3 December 1993
Myanmar	POCPA	21 January 1994
Albania	ALADI	24 January 1994
Nigeria	Memorandum of Understanding	7 September 1990
Sudan	Revolving credit	4 January 1992
Lao People's Democratic Republic	ALADI	16 April 1994
Turkmenistan	ALADI	30 May 1994

Source: Bank Negara.

(i) Iranian Model

84. Under this model, the agreeing Central Banks, having committed to encourage bilateral investments and cooperation in banking, mutually notify their respective commercial banks entitled to issue letters of credit (LCs) and to negotiate documents. The Central Banks on both sides irrevocably commit themselves to reimburse the proceeds in relation to all letters of credit in the event of a default by their designated banks. The existence of this model creates confidence between traders of the two countries whose normal credit risk is converted into a sovereign risk. Such an agreement,

to begin with, was made by the Bank Negara in 1988 with Iran (Islamic Republic of) followed by similar agreements with Mozambique, Botswana and Fiji in 1991. This particular model appears appropriate: (a) when both countries concerned have substantial amounts of external reserves, so that the need to conserve external reserves is not a significant consideration; and/or, (b) when one or both countries do not yet have a modern system of banking.

(ii) ALADI Model

85. The other model often used by Bank Negara provides for: (a) the establishment of "reciprocal credit lines" in US dollars to cover "the deferred payment of the debits"; (b) in the event of a credit line being exceeded, the debtor Central Bank binds itself to pay the overdrawn amount plus interest on demand to the creditor Central Bank; (c) settlement and payments for imports and exports are made by the designated banks in domestic currency through the Central Bank; and, (d) the Central Banks settle among themselves the net amount owing to each other in US dollars at the end of the period. The ALADI model appears to be appropriate in cases where countries need to conserve the use of the external reserves. However, both countries need to have a modern system of banking for this model to work.

(iii) The Revolving Credit Model

86. The revolving credit model operates like the ALADI model, with the following additional features: (a) the Bank Negara Malaysia maintains an account in the name of the other central bank. Under this account, Bank Negara Malaysia grants a credit limit in US dollars to the other central bank; and, (b) the central bank/monetary authority of the debtor country may specify to Bank Negara Malaysia the list of goods which may be purchased from it under the arrangement and the list of the persons who may sell such goods.

(iv) The Palm Oil Credit and Payments Arrangement (POCPA)

87. As part of an overall scheme initiated by the Government of Malaysia to promote the export of palm oil to developing countries, especially to countries willing to purchase a minimum tonnage of palm oil per year, as specified by the Malaysian Government, the Palm Oil Credit and Payments Arrangements (POCPA) has been started by Bank Negara. Under this scheme, developing countries would be able to import palm oil from Malaysia on a deferred payment terms basis for a period of two years. Both the POCPA and Revolving Credit models have the same features except that under the POCPA model, the product exported from Malaysia is restricted to palm oil only. The Revolving Credit and POCPA arrangements are special arrangements undertaken in the context of the policy of the Malaysian Government.

88. As a result of the signing of the bilateral payments agreements, the correspondent relationship between commercial banks in Malaysia and commercial banks in other South countries increased from virtually nothing only a few years ago to about 578 at present (see table 17).

Table 17

Bilateral Payments Arrangement-Correspondent Relationship between Commercial Banks in Malaysia and South Countries

Country	No. of correspondent relationship with Malaysian designated banks
Chile	126
Peru	99
Mexico	46
Venezuela	39
Zimbabwe	36
Algeria	34
Iran (Islamic Republic of)	32
Romania	28
Tunisia	26
Botswana	24
Viet Nam	23
Mozambique	16
Sudan	16
Fiji	10
Pakistan	9
Iraq	6
Argentina	4
Seychelles	3
Nigeria	1
	578

Source: Bank Negara Malaysia.

Additional designated Malaysian banks: (i) Southern Bank Berhad; (ii) Kwong Yik Bank Berhad; (iii) Development & Commercial Bank Berhad; (iv) Bank of Commerce (M) Berhad; (v) Ban Hin Lee Bank Berhad; (vi) Hock Hua Bank Berhad; (vii) Bank Islam Malaysia Berhad; (viii) Perwira Habib Bank Malaysia Berhad.

89. This increase bodes well for the prospects for future growth in trade. In view of this, Bank Negara Malaysia has increased to 12 the number of designated Malaysian banks from the original four as follows:

Original designated Malaysian banks: (i) Malayan Banking Berhad; (ii) Bank Bumiputra Malaysia Berhad; (iii) Public Bank Berhad; (iv) United Malayan Banking Corp. Berhad.

90. Malaysia is committed to continuing with this policy to explore possibilities of signing bilateral payments arrangements with as many South countries as possible in the context of increasing its South-South trade and cooperation.

91. As a result of the Malaysian bilateral payment arrangements, trade with several developing countries has benefited. In some cases there has been a

phenomenal increase. After bilateral agreements in 1987 with Mexico, Iran (Islamic Republic of), Peru and Algeria, the mutual overall trade with those countries multiplied by several times (see table 18).

Table 18

Impact of Malaysian Bilateral Payments Arrangements on trade with individual developing countries

Country	Total amount of trade in RM (millions)	
	1987	1993
(i) Iran (Islamic Republic of)	46.0	317.7
(ii) Mexico	37.6	386.9
(iii) Chile	120.9	272.8
(iv) Peru	5.4	78.5
(v) Sudan	20.9	47.9
(vi) Algeria	3.8	57.5
(vii) Pakistan	469.1	1 021.6
(viii) Viet Nam	43.5	604.1
(ix) Myanmar	53.9	342.8

Source: Bank Negara.

(c) Double Taxation and Investment Guarantee Agreements

92. To avoid double taxation and to provide investment guarantees, Malaysia has made 14 agreements with other developing countries on double taxation and 13 on investment guarantees (see tables 19 and 20). Some of the more important provisions of Double Taxation Agreements of relevance to foreign investors are:

(i) The profits of an enterprise of the contracting country are taxed only in that country unless the enterprise has a permanent establishment situated in the other contracting country. If the enterprise carried on business through the permanent establishment in the other contracting country, only those profits attributable to the permanent establishment can be taxed in the other country. Where tax is levied by the other country, relief from the double taxation is given by the country of residence in respect of that tax.

Table 19

Malaysia

Double taxation agreements with developing countries

Country	Date of agreement
Bangladesh	18.04.1983
China	23.11.1985
Hungary	22.05.1989
India	25.10.1976
Indonesia	12.09.1991
Iran (Islamic Rep. of)	12.11.1992
Mauritius	22.08.1992
Pakistan	29.05.1982
Philippines	27.04.1982
Republic of Korea	20.04.1982
Romania	26.11.1982
Singapore (original)	26.12.1968
Singapore (supplementary)	06.07.1973
Sri Lanka	21.11.1970

Source: 1. GATT Trade Policy Review, Malaysia, Volume II, appendix III.

2. Economic Report 1990/91, Ministry of Finance, Malaysia.

Table 20

Bilateral payment arrangements with developing countries

Country	Date of signing of agreement
1. Algeria	31.01.1992
2. Botswana	06.06.1991
3. Chile	21.06.1991
4. Fiji	12.10.1991
5. Iran (Islamic Rep. of)	08.08.1988
6. Mozambique	27.04.1991
7. Mexico	24.09.1990
8. Nigeria	07.09.1990
9. Pakistan	06.08.1992
10. Peru	13.11.1991
11. Romania	20.05.1991
12. Seychelles	21.09.1992
13. Sudan	04.01.1992
14. Tunisia	25.11.1992
15. Venezuela	03.08.1990
16. Zimbabwe	07.06.1991
17. Viet Nam	29.03.1993

Source: GATT Trade Policy Review, Malaysia, Volume II, appendix IV.

(ii) Dividends derived from Malaysia by residents of other countries having agreements with Malaysia are exempt from any tax in Malaysia which is chargeable on dividends in addition to the tax chargeable in respect of the income of the company paying the dividend.

(iii) Under most of the agreements, interest on approved loans, approved industrial royalties derived from Malaysia by residents of other countries having agreements with Malaysia are exempt from tax in Malaysia.

(d) Technology cooperation agreements and linkages

93. The Malaysian Standards and Industrial Research Institute (SIRIM) has as its corporate mission to assist Malaysian industries "to enhance Malaysia's international competitiveness through partnership in industrial technology and quality". In 1992, SIRIM initiated overseas linkages 23/ which included those with the following agencies in the South:

(i) State Administration of Import and Export Commodities Inspection of People's Republic of China.

(ii) Turkish Standards Institute.

III. MALAYSIA'S PROGRAMME OF TECHNICAL COOPERATION WITH DEVELOPING COUNTRIES

94. Since 1980, Malaysia has launched a significant initiative to provide technical assistance to other developing countries. The Malaysian Technical Cooperation Programme (MTCP) comprises various forms of technical cooperation in human resource development and other areas where Malaysia has experience and expertise.

95. The technical assistance is provided through (a) training either at Malaysian universities or training institutions; (b) study visits; (c) provision of services of experts; and (d) supplies and equipment for socio-economic projects. Most of such assistance is funded either by the Malaysian Government or third countries/organizations. In some cases, funding is also done by the recipient Government or through cost-sharing arrangements. To date, more than 80 developing countries have benefited in varying degrees from the MTCP.

96. Training, which forms the main component under the MTCP, is divided into the following three types: (a) academic training: postgraduate level courses at universities in Malaysia; (b) technical training: courses on telecommunications, standards and industrial training in the Malaysian Institutes; and (c) specialized training courses, public administration and development administration management, land development and management, banking, cooperative management, library and archives administration, radio and television broadcasting, public relations and journalism, aviation, nursing, health education, fisheries, timber grading, valuation and property service, education, veterinary science, maritime studies, brackishwater aquaculture and prawn hatchery operation and management.

97. Study visits and practical attachments under the MTCP are designed to impart knowledge through exposure to actual work situations in the following

areas: agriculture extension and production, fisheries development, veterinary extension and development, land settlement and schemes management, educational training curriculum development, educational television and broadcasting, public enterprise management, printing technology, central banking, library and archives administration, information and public relations, health services, urban planning, industrial development, aviation and property valuation.

98. More and more African countries are beneficiaries of the MTCP. For instance, MUDA Agricultural Development Authority and Kembu Agricultural Development Authority of Malaysia will be providing on-the-job training in rice irrigation to 20-25 Gambian agriculturists at the various irrigation sites. Similarly, Mali was provided with agricultural implements (tractors, etc.) on a grant basis followed up by technical assistance through experts sent by Malaysia to provide (a) operational training; and (b) infrastructural support. (See box 9.)

99. For the entire MTCP, the Economic Planning Unit (EPU) of the Prime Minister's Department is the focal point. The applications under the MTCP are received by the relevant agencies in Malaysia and centralized and coordinated with the EPU which also authorizes budgetary allocations specifically covering the costs of specific technical assistance activities to be rendered by that particular agency. The MTCP programme is covered by an appropriate legislative authority. As such it is not just an ad hoc measure but a regular feature of the Malaysian Government's policy and programme in support of other developing countries. A list of courses made available under MTCP (see annex VI) for the year 1994 shows the Malaysian host agencies and the variety of training programmes covered.

Box 9

During the Eighth (New Delhi, 1987) and Ninth (Belgrade, 1989) Summit Conferences of the Non-Alignment Movement, Malaysia extended the scope of its MTCP and pledged a financial contribution to the Africa Fund, as well as assistance in kind, including the establishment of socio-economic projects for seven African frontline States (Angola, Botswana, Mozambique, Namibia, Zambia, Zimbabwe and United Republic of Tanzania), as well as the African National Conference (ANC) and the Pan-African Congress.

100. MTCP symbolizes Malaysia's willingness to share its development experience with other developing countries. During the Fifth Malaysia Plan (1986-1990) 46 developing countries were beneficiaries of the MTCP, worth US$ 29 million. 24/

IV. MALAYSIA'S ECDC ROLE IN THE CONTEXT OF THE COMMONWEALTH

101. Malaysia is one of the more advanced developing countries in the Commonwealth. The Malaysian contribution has helped the Commonwealth secretariat to deliver a comprehensive programme of technical assistance for the sustainable development of Commonwealth developing countries. In 1992-1993, its contribution to the budget of the Commonwealth secretariat, the Commonwealth Fund for Technical Cooperation, the Commonwealth Science

Council, the Commonwealth Youth Programme and the Commonwealth Consultative Group on Technology Management (CCGTM) amounted to about US$ 500,000.

102. Malaysia played a major role in the establishment, in 1991, of the above-mentioned CCGTM which serves as an operational network for sharing of experiences among senior policy-makers and managers responsible for science and technology programmes. The CCGTM has a team of economists, planners, scientists, environmentalists from both public and private sectors who provide advice, information and technical assistance on request from Governments to enable them to tap the expertise of more advanced countries in the management of new technology. Malaysia is continuing to play a major role in transforming the CCGTM to a more effective unit for technology transfer.

103. In the field of science and technology, Malaysia was among the group of Commonwealth countries which offered their facilities to train scientists from smaller and poorer member countries, in the field of remote sensing.

104. In the education field, Malaysia played a catalytic role in the establishment of a Commonwealth Policies Studies Centre at Cambridge University, in the United Kingdom. The Centre will study contemporary issues of importance to the Commonwealth. It will promote research into areas identified by Commonwealth Heads of Government, the Commonwealth secretariat and other Commonwealth institutions. It will also conduct independent studies relevant to the needs of the Commonwealth, especially its developing country members.

V. ROLE OF THE MALAYSIAN PRIVATE SECTOR IN SOUTH-SOUTH COOPERATION

105. To take advantage of the economic opportunities in the South countries, the Malaysian Government has undertaken an active programme to participate in trade fairs and to despatch selling trade missions. The Government supports private sector organizations to step up contacts between Malaysian business people and their counterparts from South countries. Among recent and/or concrete initiatives cited by MITI are:

- Banking services in Viet Nam, Cambodia, Sri Lanka and Uzbekistan;
- Establishment of telecommunications networks and allied services in Viet Nam, Sri Lanka, Cambodia, Iran (Islamic Republic of), China and India;
- Development of an Export Processing Zone in Hanoi, Viet Nam;
- Mining services in Uzbekistan;
- Housing development in Papua New Guinea, Mauritius and Namibia;
- Construction of power plant in the Philippines and the People's Republic of China;
- Tourism projects such as resorts' development and construction of hotels in Iran (Islamic Republic of), India, Viet Nam, People's Republic of China, Sri Lanka and the Philippines; and

- Establishment of vegetable oil refineries in Zimbabwe, Pakistan, Egypt and United Republic of Tanzania.

To concretize its initiatives, the Government encourages its private sector through the various chambers of commerce centralized within the NCCIM. It also involves MASSA, MASSACORP, GTCs and other institutions, as discussed below.

A. NCCIM's role

106. A benign partnership between the Government of Malaysia and its private sector has helped evolve and implement an innovative agenda of Malaysian cooperation with the rest of the South. The Malaysian private sector has been supporting South-South cooperation within the informal and traditional framework of the National Chamber of Commerce and Industry of Malaysia (NCCIM). NCCIM's involvement in South-South relations is conducted through active consultation with the Ministry of International Trade and Industry (MITI). In that framework, NCCIM helps in formulating national strategies for Malaysian trade and investment, co-organizing government-sponsored overseas trade missions and in defining Malaysia's position within the ASEAN dialogue meetings with developing dialogue partners, namely the Republic of Korea and India. NCCIM maintains direct relations with chambers of commerce and business organizations of developing countries, including Bangladesh, Chile, India, Mauritius, Mexico, Pakistan, Republic of Korea and Taiwan Province of China. Bilateral activities with several developing countries are conducted within the framework of joint economic committees and associations. Such mechanisms are usually a follow-up to bilateral "joint communiques", or "memoranda of understandings" or "joint cooperation agreements" between the NCCIM and the counterpart chamber of commerce of another developing country. Thus a typical bilateral agreement between Malaysia and another developing country encompasses private sector cooperation in the fields of industry, trade, investment, technical and scientific cooperation. Trade fairs, exhibitions, seminars and exchanges between business people are the usual modalities of cooperation. Sometimes joint business councils or amalgam frameworks such as economic cooperation committees are also established for a periodic evaluation of the status and programmes of private sector cooperation. The agreement between NCCIM of Malaysia and the Union of Chambers and Commodity Exchanges of Turkey contains most of the above-mentioned elements. Currently such arrangements prevail with Bangladesh, Chile, Hungary, India, Republic of Korea, Mexico, Nigeria, Pakistan and Viet Nam. Through those bilateral mechanisms, NCCIM promotes investments, joint ventures, technology transfer and other business ties. This is done through exchange missions, information exchange and business meetings. NCCIM is also linked with the ASEAN Chambers of Commerce and Industry (ASEAN-CCI), and the Organization of Islamic Chambers, and supports the efforts towards the Group of 77's chamber of commerce.

107. NCCIM's ECDC initiatives during 1993 included: (i) a trade and investment delegation to India; (ii) the Malaysia-India Joint Business Cooperation Committee; (iii) a Memorandum of Understanding (MOU) with Sri Lanka, and the establishment of the Malaysia-Sri Lanka Business Council; (iv) trade missions to South Africa, Zimbabwe, Namibia and Mauritius by Malaysia's Indian Chamber of Commerce and Industry, which is an affiliate of the NCCIM; (v) participation in business forums in Chile, Mexico and India,

and (vi) several meetings with visiting dignitaries and trade delegations. NCCIM has therefore been a dynamic platform for Malaysian business to intensify contacts with counterparts in the countries of the South.

108. The Malaysia private sector has also taken measures to improve transportation and communication facilities between Malaysia and the countries of the South, such as the establishment of direct air services between Kuala Lumpur and Buenos Aires by Malaysian Airlines. Direct shipping services to Chile and South Africa have also begun. South Africa is seen as a launching pad for Malaysia to establish trade/investment linkage with the developing Southern African region.

109. So as to diversify trade with developing Africa and to enter the Southern African market, the Government of Malaysia has sponsored the private sector's participation at the South African International Trade Exhibition (SAITEX), held in Johannesburg in October 1993. This generated business with Mauritus, Mozambique, Zimbabwe, Kenya, Nigeria, Reunion Island, Malawi, Zambia, Madagascar, Namibia, United Republic of Tanzania, Botswana, Zaire and Angola. Malaysia also planned major participation in SAITEX 1994 to do business in the Southern African market.

B. New private sector initiatives

110. Such conventional modalities of cooperation by the private sector have recently been supplemented by the creation, with the active support and patronage of the Malaysian Prime Minister, of the innovative institutions discussed earlier, namely: (i) MASSA, (ii) MASSCORP and (iii) GTCs. MASSA and MASSCORP (see paras. 44 to 51 above) were conceived in the wake of Prime Minister Mahatir's 1991 trade missions to several countries of the South. Both were intended to channel Malaysian capital and expertise through Malaysian business corporations into the markets of the developing world. GTCs conversely are intended essentially to enlarge Malaysia's trade linkage with the South.

VI. MALAYSIA'S PRIVATE SECTOR'S SOUTH-SOUTH LOANS, BORROWING AND DIRECT EQUITY INVESTMENTS

111. Effective January 1991, the Bank Negara Malaysia had introduced a system of recording transactions between firms registered in Malaysia. By February 1992, three reporting modules (of a total of eight) which constitute the core data framework of the reporting system had been implemented to capture all transactions effected through the banking system as well as inter-company accounts and overseas accounts maintained by Malaysian firms with non-residents abroad. Under the fourth module, an annual survey of residents' exposure to loans and direct investment vis-à-vis non-residents was launched, on 4 August 1992. The Malaysian firms so covered were Malaysian incorporated and those offices, branches and representative offices of foreign incorporated companies registered and operating in Malaysia irrespective of their ownership. The survey covered 2,262 resident firms with four questionnaires on (i) loans to non-residents; (ii) borrowing from non-residents; (iii) direct equity abroad by residents; and (iv) direct equity investment in Malaysia by non-residents. The firms included had capital transactions (remittances, receipts, loans, equity, interest, dividends) which met the following criteria:

- Aggregate transactions of RM 250,000 or more for either loans or equity; and,

- Aggregate transactions of RM 100,000 or more for either interest or dividends.

112. The survey excluded individuals, banking institutions, Government departments and statutory bodies. The reporting period was 12 months, including at least 6 months of the calendar year 1991.

113. Of the 2,262 resident firms, 2,048 (90.5 per cent) responded; data was obtained for 1,682 (74.3 per cent) of the firms questioned. The findings of the survey (done in August 1992), despite the elements excluded, shed light on Malaysia's investment and loan/borrowing linkages with the South.

A. Outbound equity and loans

114. In terms of significant equity investment abroad, Singapore topped the list of developing countries in which Malaysian reporting firms made an equity investment of RM 1,296.6 million followed by Thailand (RM 76.3 million), Philippines (RM 37.7 million), Papua New Guinea (RM 18.8 million), China (RM 9.9 million), Brunei Darussalam (RM 5.7 million), Fiji (RM 4.6 million), Indonesia (RM 3.4 million), Mauritius (RM 1.8 million), Egypt (RM 1.1 million), Viet Nam (RM 0.7 million), Sri Lanka (RM 0.3 million), and India (RM 0.3 million). Panama and Liberia received less than RM 50,000 of this investment. In terms of significant loans 25/ extended abroad among recipient developing countries, Singapore led (RM 31.8 million) followed by Papua New Guinea (RM 10.1 million) and the Philippines (RM 0.1 million).

B. Incoming equity and borrowing

115. Significant equity inflows covered by the survey revealed that after Japan and the United States of America, Singapore was the most important equity investor in Malaysia's reporting firms. Among developing countries, however, Singapore was the foremost (RM 2,949.1 million). The other developing countries investing in the surveyed Malaysian firms were Republic of Korea (RM 146.0 million), Brunei Darussalam (RM 143.4 million), Panama (RM 139.5 million), China (RM 86.5 million), Kuwait (RM 62.1 million), India (RM 57.1 million), Saudi Arabia (RM 55.2 million), Liberia (RM 42.4 million), Indonesia (RM 28.8 million) and Thailand (RM 16.6 million). In terms of significant borrowing 26/ among developing countries, Singapore was second to Japan. Borrowing originating in Singapore amounted to RM 1,140 million. That sourced from other developing countries was as follows: Philippines (RM 234.2 million), Panama (RM 211.0 million), Republic of Korea (RM 155.5 million), Brunei Darussalam (RM 78.3 million), India (RM 37.6 million), Kuwait (RM 30.1 million), Liberia (RM 8.5 million), Indonesia (RM 6.2 million), Thailand (RM 4.5 million), former Yugoslavia (RM 3.0 million), Vanuatu (RM 2.9 million), China (RM 2.0 million), Saudi Arabia (RM 1.4 million). 27/

VII. FINDINGS AND CONCLUSIONS

116. Malaysian ECDC performance is impressive. In terms of country coverage, it embraces the neighbouring countries within ASEAN, EAEC and Indochina.

Beyond the immediate neighbours, Malaysia cooperates with most of the other developing countries in ESCAP, either within the ambit of the ASEAN Dialogue Partnership (China, Republic of Korea, India) or through bilateral agreements (Sri Lanka, Bangladesh, Pakistan and Islamic Republic of Iran). Malaysia also strives to pursue cooperation with the newly independent developing economies in transition of Central Asia. As a member of the Organization of Islamic Countries (OIC), it also cooperates with OIC members within the ESCAP, ESCWA and ECA regions.

117. Transcending its regional boundaries, it cooperates at the interregional level with the entire developing world on both a conceptual and practical level. In elaborating the conceptual framework of cooperation, Malaysia was in the forefront in establishing the South Commission. For implementing the Commission's recommendations for South-South cooperation, Malaysia provided the maximum material, infrastructural and human resource contributions, through SITTDEC, BIF and other G-15 mechanisms. It continues to shoulder responsibilities emanating from the Summit Level Group for South-South Consultation and Cooperation. Within the framework of the GSTP, OIC and several producers associations, Malaysia's role is deemed both pioneering and, in several respects, exemplary.

118. The real motivating force behind Malaysia's ECDC relationship is to achieve national socio-economic development comparable to that of the developed countries in OECD. However, in the process of development, Malaysia will not compromise its moral, cultural and spiritual heritage.

119. The multi-racial, multicultural and multi-religious mixture of Malaysian society, whatever its specific problems and demands, has an advantage in that it obliges Malaysia to maintain a highly diversified network of international economic cooperation with a variety of developing countries. Malaysian cooperation has no geographical, religious or cultural boundaries, although there are priorities dictated by national needs. This position has enabled Malaysia to reach out to countries as far away as South America and Africa. MASA and MALAM (see paras. 44 to 45) stand as concrete evidence of the former, whereas MTCP (see paras. 94 to 100) and SAITEX (see para. 109), favouring several African countries, are a testimony to Malaysia's commitment to the latter.

120. In sectoral terms, Malaysian ECDC is diverse and embraces cooperation in the areas of trade (GSTP, ASEAN, AFTA), technical assistance (MTCP), monetary and financial cooperation (OIC, SEACEN, G-15, financial payments arrangements, ASA within the Islamic Development Bank), commodity cooperation (producers' associations), data exchange (G-15, SITTDEC and OIC's TINIC), and industrial cooperation (ASEAN AIPs, AICs and AIJVs).

121. Several suggestions have been made for introducing mechanisms and policies inspired by or along the lines of those of Malaysia. Attention, in particular, is drawn to the recommendations made in relation to coordinating macroeconomic policies (para. 52), introducing a dialogue partnership (para. 61), increasingly using "Southern" currencies for intra-South settlements (para. 68), or agreeing on payment arrangements like those practised by Malaysia but adapted specifically to each bilateral situation (para. 68).

122. At the national level there is also a need for a research focal point mandated to pursue South-South cooperation with Malaysia. The current research done by the Malaysian Institute of Economic Research (MIER), the Economics Department of Bank Negara Malaysia, SEACEN and the Asian and Pacific Development Centre (APDC), do take up regional and subregional themes of economic cooperation. Similarly, MIDA, within its "Planning, Research and International Cooperation Division", has responsibility "to formulate strategies for international cooperation especially with reference to ASEAN activities". 28/ In view of the several Malaysian initiatives discussed above and the various programmes in support of South-South cooperation, as well as the increasingly important role of Malaysia in South-South trade, investment and technical cooperation, a strong case can be made for establishing a research-oriented Malaysian National Centre with long-term objectives for initiating and expanding cooperation with other developing countries.

123. The phenomenon of outbound or reverse investments of Malaysia is yet another strategy deserving to be copied by other more advanced developing countries. For such reverse investments the emphasis should be increasingly on Africa which has a tremendous absorption capacity. The relevant African countries should adopt regimes facilitating investment with adequate legal safeguards, including those against nationalization, while fostering generous repatriation of profits, capital, proceeds, dividends, etc. This will stimulate the flow to Africa of investments from more advanced developing countries. For launching a conscious process in that direction the example of an existing mechanism might be instructive. Within the framework of the ASEAN-Australian Economic Cooperation Programme/Trade Investment Promotion Programme (AAECP/TIPP), the Australian Government has provided funds to the Malaysian Industrial Development Authority (MIDAS) for investment promotion activities in the form of business round-table meetings and investment promotion seminars. A similar investment promotion fund could be established for intra-South investment promotion. Developing countries and more advanced or newly industrialized economies could contribute to it. Since Malaysia has already taken an important lead in developing investment-related South-South instruments, such as growth triangles, MASSA and MASSCORP, Malaysian expertise in this area could be invaluable.

124. Spearheaded by its Government, Malaysian ECDC cooperation has permeated the private sector. NCCIM, MASSCORP, GTCs and other bodies have thus teamed up with the Government to enlarge and deepen Malaysian economic cooperation with the rest of the developing world. The private sector has been quite responsive in implementing the overall objectives and following the directions of South-South cooperation set forth by Prime Minister Mahatir. In that perspective, the recent trade and investment initiatives in the form of growth triangles, GTCs and cooperation with Indochina are both timely and innovative.

125. The role of the Bank Negara Malaysia in South-South cooperation is also of immense significance. Through several bilateral agreements (payment, credit, investment guarantees) the Bank has cemented Malaysia's bilateral cooperation with several developing countries. This policy needs to be continued and further strengthened. Useful lessons could also be derived from it by the central banks of other developing countries which could introduce similar instruments.

126. Similarly, the trend of South-South intra-firm investments and financial cooperation as well as utilization of national currencies for mutual financial exchange settlements offers an important means of accelerating the process of South-South interdependence and integration.

127. The aspect of Malaysian ECDC coordinating mechanisms at the national level also deserves comment. Malaysian Government-sponsored ECDC initiatives are clearly taken at the highest political level by the Prime Minister and his Cabinet. Implementation is monitored by the ministries of Foreign Affairs and of International Trade and Industry (MITI). Similarly, the Economic Policy Unit (EPU) in the Prime Minster's Office plays a coordinating role for most ECDC work carried out in Malaysia. Nevertheless, there is no statutory mechanism nor established institutional framework specifically entrusted with the task of a regular or periodic survey and monitoring of overall Malaysian South-South cooperation. The only national mechanism with a comparable mandate is that within the context of ASEAN, at either the Government or private sector level. The lack of an overall South-South "coordinating mechanism" is a lacunae, the importance of which has probably not been realized, owing to a preoccupation with pursuing new and old ECDC initiatives. For the sake of providing centrality and direction to Malaysia's support and pursuit of South-South cooperation, the Malaysian Government may consider instituting an in-built system and framework for a comprehensive and periodic backward/forward stocktaking of the totality of the country's South-South commitments and national implementation. Given the amplitude and the diversity of existing Malaysian South-South cooperation and new ECDC initiatives, which in many respects are of a pioneering character and could be offered as models to be emulated, the proposed coordinating mechanism will bring about a systematic improvement. Moreover it stands ready to serve the cause of South-South cooperation. It will also introduce discipline which, in view of the present ad hoc approach, might take long to emerge.

128. Needless to say, Malaysia is playing a crucial role in South-South cooperation which is likely to generate momentum over time. It will certainly have important implications for future South-South cooperation at bilateral, regional and interregional levels. The seriousness with which Malaysia implements ECDC programmes and projects at the national level is also likely to generate confidence in the international donor community, sufficient to impel it towards supporting ECDC ventures and initiatives to which Malaysia lends its support and extends its leadership.

129. Finally, it may be mentioned that with the conclusion of the Uruguay Round and the launching of the World Trade Organization (WTO) in January 1995 it could be an appropriate time for Malaysia to make an overall review of the state of South-South cooperation. This could create a basis for determining new directions, reorientations and dimensions needed for ECDC policies and programmes in the light of the changed global trading system.

Notes

1/ See 1993 Report of the Chairman of the Development Assistance Committee, 1994, Paris.

2/ Report of the Trade and Development Board on its thirty-eighth session, second part, 21 April to 7 May 1992, Annex B, Terms of Reference of the Standing Committees (TD/B/1323, Vol. II).

3/ RM is the abbreviation for Malaysian ringgit. Note: exchange rate - 1991, US$ 1 = RM 2.5472; 1992, US$ 1 = RM 2.6147; 1993, US$ 1 = RM 2.739.

4/ Source: Department of Statistics, Malaysia. Also see Malaysia International Trade and Industry Report 1994.

5/ The Challenge to the South, Report of the South Commission, Oxford University Press, 1990.

6/ See General Assembly document A/47/312 S/24238.

7/ Membership: Algeria, Argentina, Brazil, Egypt, India, Indonesia, Jamaica, Malaysia, Mexico, Nigeria, Peru, Senegal, Venezuela, the former Yugoslavia and Zimbabwe.

8/ SEACO membership: Bangladesh, Brunei Darussalam, Maldives, Indonesia and Malaysia.

9/ See the report of the 11th General Assembly Meeting of the Islamic Chamber, 6 to 7 December 1993, Kuala Lumpur.

10/ See UNCTAD/ECDC/331 (25 September 1992).

11/ Exports include sales to Free Trade Zones (FTZ) and Licensed Manufacturing Warehouses (LMW).

12/ First informal meeting of ASEAN Economic Ministers, Awana, Malaysia (22 to 23 April 1994).

13/ See GATT document L/7307 of 29 October 1993.

14/ See UNCTAD/ECDC/331, 25 September 1992.

15/ See MITI Report: ASEAN Industrial Cooperation, p. 117.

16/ See Annual Report 1993 of the Bank Negara, Malaysia.

17/ India and ASEAN: Issues in Sectoral Dialogue Partnership by T. L. Rao, Research and Information System for the Non-aligned and other Developing Countries, New Delhi, 1993.

18/ See ASEAN: Financial Development and Interdependence, by Dr. Lin See Yan, Paper No. 2, by the Economic Department, Bank Negara, Malaysia.

19/ Source: IBID, Bank Negara, Malaysia.

20/ ASEAN: IBID Financial Development and Interdependence, page 17.

21/ Other member Central Banks: Indonesia, Republic of Korea, Myanmar, Nepal, Philippines, Singapore, Sri Lanka, Taiwan Province of China, Thailand (in total 10). Source: SEACEN Programme 1994/95 and 1995/96.

22/ Twenty-sixth ASEAN Ministers Meeting (AMM), 17 July 1993, Singapore.

23/ SIRIM: Annual Report 1992.

24/ See *Sixth Malaysia Plan 1991-1995*, p. 72.

25/ Comprising term loans and suppliers' credit, each with an original amount of RM 200,000 and above, with a definite repayment schedule and with original maturity exceeding one year.

26/ Ibid.

27/ Source: Report on BNM Survey on Residents' Exposure to Loans and Direct Investment vis-à-vis Non-Residents, 1992, Bank Negara Malaysia.

28/ See the 1989 Annual Report of Malaysian Industrial Development Authority.

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2. Islamic Development Bank, 15th Annual Report (1989-1990).

3. Annual Report 1993 by Bank Negara Malaysia.

4. Report on BNM Survey on Residents' Exposure to Loans and Direct Investment vis-à-vis Non-Residents, 1992 by Bank Negara Malaysia.

5. "Malaysia, Bridging the South-South", Newsweek magazine (special advertising section undated).

6. MASSA News Magazine (issues of December 1992 and 1993) (A publication of the Malaysian South-South Association).

7. Malaysian Technical Cooperation Programme Booklet, Economic Planning Unit, Prime Minister's Department, Kuala Lumpur.

8. Booklet on South Investment, Trade and Technology Data Exchange Centre, by the SITTDEC Centre.

9. Report of the 11th General Assembly Meeting of the Islamic Chamber (6-7 December 1993).

10. "Developing a System of Financial Instruments", Report by the Islamic Research and Training Institute, Islamic Development Bank, Jeddah.

11. Report of the United Nations Chitose Forum on South-South Economic Cooperation with particular reference to Asia and the Pacific, 11-15 May 1992, Chitose City, Hokkaido, Japan.

12. Malaysian International Trade and Industry Report 1994 by Ministry of International Trade and Industry (MITI), Malaysia.

13. ASEAN: Financial Development and Interdependence, by Dr. Lin See Yan, Economic Department, Bank Negara Malaysia.

14. Booklet: EPZ Danang: Your Export Base to the World, by MASSCORP, Kuala Lumpur.

15. ASEAN Free Trade Area (AFTA): Problems and Prospects, by Professor Mohamed Ariff.

16. ASEAN Handbook, 1991-92.

17. NCCIM brochures.

18. UNCTAD report on "Regional, Subregional and Interregional Economic Cooperation and Integration among Developing Countries: An evaluation of the ASEAN experience", UNCTAD/ECDC/331 (25 September 1992).

19. Sixth Malaysian Plan 1991-1995.

20. SEACEN: Programme 1994/1995 and 1995/1996, by SEACEN.

21. Report on "Viet Nam, Laos and Cambodia: The Path to Economic Development", Volume 2, by the Sasakawa Peace Foundation, February 1993.

22. India and ASEAN RIS Occasional Paper No. 41.1993 by the Research and Information System for the non-aligned and other developing countries, New Delhi.

ANNEX I

LIST OF MALAYSIAN OFFICIALS WHO SUPPORTED UNCTAD'S FIELD MISSION TO MALAYSIA (JULY 1994)

H.E. Ambassador Haron Siraj, Permanent Mission of Malaysia to the United Nations, Geneva

Mr. Rohana Ramli, First Secretary, Permanent Mission of Malaysia to the United Nations, Geneva

Mr. Mohamad Zainul Abideen, Director, Economic Planning Unit, Prime Minister's Office, Kuala Lumpur

Mr. Tew Swee Tong, Economic Planning Unit, Prime Minister's Office, Kuala Lumpur

Mr. Badruddin, Ministry of Foreign Affairs (Liaison), Kuala Lumpur

Mr. Mohd. Zakri HJ. Hussin, Principal Assistant Director, Ministry of International Trade and Industry, Kuala Lumpur

Mr. N. Vasudevan, Assistant Director, International Trade Ministry of International Trade and Industry, Kuala Lumpur

Mr. Supramaniam, Ministry of International Trade and Industry, Kuala Lumpur

Mr. Mohd. Zulkifli Mohammed, Assistant Secretary, International Section, Ministry of Agriculture, Kuala Lumpur

The Executive Director, National Chamber of Commerce and Industries Malaysia, Kuala Lumpur

Mr. Alizah Ali, Manager, Public Affairs Unit, Bank Negara Malaysia (Central Bank of Malaysia), Kuala Lumpur

Mr. Mohd. Ikram Ahmad, Assistant Manager, Bank Negara Malaysia (Central Bank of Malaysia), Kuala Lumpur

Mr. Ng Su Fun, General Manager, MASSCORP, Kuala Lumpur

Mr. J. Jegathesan, Deputy Director-General (Operations), Malaysian Industrial Development Authority, Kuala Lumpur

Mr. Sulaiman Mahbob, Executive Director, Malaysian Institute of Economic Research, Kuala Lumpur

Mr. Lee Kim Bian, Institute Secretary, Malaysian Institute of Economic Research, Kuala Lumpur

Mr. Samsudin Marsop, Chief Executive, Malaysia External Trade Development Corporation, Kuala Lumpur

Mr. Abdul-Rahman Haron, Director, Trade Information, Malaysia External Trade Development Corporation, Kuala Lumpur

Mr. Mohd. Ghazali Idris, Manager, Trade Research and Development Bureau, Malaysia External Trade Development Corporation, Kuala Lumpur

Dr. Vicente B. Valdepenas, Director, SEACEN, Kuala Lumpur

Dr. Bambag Sindu Wahyudi, Assistant Director (Research), SEACEN, Kuala Lumpur

ANNEX II

G-15 PROJECTS APPROVED AT SUMMIT MEETINGS

FIRST SUMMIT MEETING (Kuala Lumpur, 1-3 June 1990)

1. Establishment of Gene Banks for Medicinal and Aromatic Plants in Developing Countries (India).

2. Solar Energy Applications (India).

3. Food Production (Indonesia).

4. Population and Family Planning (Indonesia).

5. External debt (Indonesia).

   To set up: (i) a meeting of financial experts to discuss the external debt problem with a view to formulating common approaches and (ii) an advisory group to assist South countries in their dealings with multilateral financial institutions on issues of debt and loans.

6. A financial mechanism to enhance trade among developing countries (Malaysia).

   Stage one: bilateral payments arrangements between pairs of countries.

   Stage two: a multilateral interregional payment system on a pilot basis, among selected countries in Asia, Africa, Latin America and Eastern Europe (Yugoslavia/Romania).

7. A South Investment, Trade and Technological Data Exchange Centre (SITTDEC) (Malaysia).

8. A Business and Investment Forum (Zimbabwe).

SECOND SUMMIT MEETING (Caracas, 27-29 November 1991)

9. Self-propelling growth schemes (Indonesia).

THIRD SUMMIT MEETING (Dakar, 21-23 November 1992)

10. Environment and Mining - River and Watershed Recovery (Brazil).

11. Geological and Mineral Research (Brazil).

12. External Networking of Public Telecommunications (Brazil).

13. Establishment of a South-South Renewable Energy Promotion Centre (Egypt).

14. Cooperation among Developing Countries in the field of Design, Execution and Management of Petroleum, Gas and Petrochemical Projects (Egypt).

15. Technical Cooperation among Developing Countries (TCDC) (Egypt).

16. Establishment of a Vocational Training Centre in Senegal for the G-15 and other developing countries in the African region (India).

17. Establishment of a Computer Training Centre in New Delhi (India).

18. Collaboration on the Utilization and Development of Non-Metallic Mineral Raw Materials (Nigeria).

Comprehensive and regular consultations among members on these projects and the convening of Expert Group Meetings have yielded constructive guidelines for their implementation. Progress has been made in the implementation of a number of these projects.

FOURTH SUMMIT MEETING (New Delhi, 28-30 March 1994)

19. Transfer of Technology and Development (Senegal).

OTHER INITIATIVES

A G-15 Expert Group Meeting on Primary Commodities was held in Geneva on 9-10 July 1992.

A G-15 Expert Group Meeting, coordinated by Malaysia, on Exchange of Information on National Economic Policies of Member Countries (EINEP) was held in Kuala Lumpur from 8-10 June 1993.

APPOINTMENT OF A STEERING COMMITTEE AND THE ESTABLISHMENT OF THE TECHNICAL SUPPORT FACILITY

It was agreed at the First Summit Meeting to set up a Steering Committee (SC) comprising three member countries - the immediate past, present, and future Summit hosts - at Foreign Ministers level to coordinate the work of the G-15 until the next Summit and to establish a small group of permanent staff to assist the Steering Committee in its work.

The Technical Support Facility, located in Geneva, was formally launched following the Third Meeting of the Steering Committee held in Geneva on 6-7 November 1990.

Source: Group of 15: The Summit Level Group of Developing Countries Issue No. 4 of May 1994

ANNEX III

MALAYSIA : FOREIGN INVESTMENT (PAID-UP / FIXED ASSET) IN COMPANIES IN PRODUCTION BY COUNTRY AND INDUSTRY AS AT 31ST DECEMBER, 1992 (WITHOUT HOTEL & TOURIST PROJECTS)

(RM '000)

Country	Food Manufacturing		Beverages & Tobacco		Textile & Textile Products		Leather & Leather Products		Wood & Wood Products		Furniture & Fixtures		Paper, Printing & Publishing	
	Paid-up	F.Asset	Paid-up	F.Asset	Paid-up	F.Asset	Paid-up	F.Asset	Paid-up	F.Asset	Paid-up	F.Asset	Paid-up	F.Asset
Arab Countries	18,025	3,342	-	-	-	-	-	-	-	-	-	-	292	188
Australia	9,388	11,030	60	63	28,029	30,342	12	23	7,467	19,083	2	neg	57	16
Belgium	301	63	-	-	-	-	-	-	-	-	-	-	-	-
Brunei	-	-	-	-	-	-	18,448	36,507	-	-	-	-	-	-
Canada	211	31	9	3	5	2	3	7	43	4	-	-	13	8
China, People's Rep. of	225	61	15	21	3,013	1,782	-	-	4	1	-	-	27	10
Czech	-	-	-	-	-	-	-	-	400	1,312	-	-	-	-
Denmark	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Finland	119,598	72,215	20,174	11,842	-	-	-	-	-	-	-	-	-	-
France	-	-	-	-	-	-	-	-	325	228	370	166	-	-
Germany, Fed. Rep. of	3,134	2,389	-	-	-	-	-	-	-	-	-	-	-	-
Hong Kong	14,055	17,380	-	-	-	-	-	-	-	-	-	-	-	-
India	21,282	30,428	735	749	38,393	45,530	-	-	350	2,028	1,200	193	-	-
Indonesia	3,812	10,081	neg	1	106,491	132,808	3	6	50,452	148,830	605	1,106	2,458	6,120
Italy	3,070	1,950	1,350	1,694	5,032	15,295	-	-	1	1	-	-	1	1
Japan	-	-	-	-	567	987	-	-	5,930	9,063	1	-	-	1
Korea, Rep. of	51,598	93,328	24,389	19,429	261,182	605,707	-	-	-	-	10	95	-	-
Liberia	-	-	-	-	505	485	-	-	71,218	120,618	8,440	14,141	14,069	31,796
Luxembourg	8,581	12,707	-	-	2,900	8,467	-	-	6,635	17,512	1,500	1,461	364	210
Netherlands	-	-	-	-	-	-	-	-	-	-	-	-	-	-
New Zealand	5,000	4,094	400	459	-	-	-	-	-	-	-	-	13	8
Norway	1,233	1,849	-	-	65	1	-	-	220	29	-	-	-	-
Pakistan	505	112	-	-	-	-	-	-	769	511	105	119	15	8
Philippines	-	-	-	-	2,923	3,158	-	-	-	-	4,900	4,418	-	-
Saudi Arabia	30,084	20,495	-	-	39,250	94,658	-	-	586	295	-	-	-	-
Scotland	303	721	-	-	4	1	-	-	-	-	-	-	-	-
Singapore	750	451	-	-	-	-	-	-	-	-	-	-	-	-
Sri Lanka	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sweden	505,874	308,159	254,588	227,308	192,048	123,357	1,895	6,500	55,289	68,180	16,910	13,106	46,549	108,776
Switzerland	308	51	-	-	500	50	-	-	-	-	-	-	-	-
Taiwan, Prov. of China	88,335	132,232	-	-	-	-	-	-	-	-	-	-	-	-
Thailand	388	301	-	-	28,682	24,592	10,200	11,277	480	420	-	-	245	492
United Kingdom	2,318	241	35	40	1,047	764	-	-	93,141	215,842	43,515	79,348	4,055	3,704
United States of America	131,409	155,242	88,384	70,163	18,098	23,869	10	20	87	114	-	-	-	-
Others	23,359	27,337	13,424	11,683	4,352	3,557	-	-	14,707	8,023	3,091	4,147	4,311	8,648
Unknown	2,845	9,679	193	239	2,033	1,777	-	-	596	284	3,552	7,044	35,774	122,045
			1	1	-	-	-	-	302	152	83	70	16	28
Total	1,051,519	994,355	405,804	383,553	784,984	1,119,387	32,569	54,340	309,202	611,330	84,284	126,214	108,259	282,033

ANNEX III (continued)

MALAYSIA : FOREIGN INVESTMENT (PAID-UP / FIXED ASSET) IN COMPANIES IN PRODUCTION BY COUNTRY AND INDUSTRY
AS AT 31ST DECEMBER, 1992
(WITHOUT HOTEL & TOURIST PROJECTS)

(RM '000)

Country	Chemical & Chemical Products		Petroleum & Coal		Rubber Products		Plastic Products		Non-Metallic Mineral Products		Basic Metal Products		Fabricated Metal Products	
	Paid-up	F-Asset	Paid-up	F-Asset	Paid-up	F-Asset	Paid-up	F-Asset	Paid-up	F-Asset	Paid-up	F-Asset	Paid-up	F-Asset
Arab Countries	197	93	29	58	1,154	3,292	-	-	742	741	-	-	898	865
Australia	2,529	2,413	96	211	25,617	94,052	6,416	12,578	49,700	92,395	8,234	5,666	15,166	3,822
Belgium	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bermuda	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Brunei	-	-	-	-	4,000	9,764	-	-	-	-	-	-	-	-
Canada	6	9	110	197	45	37	-	-	-	-	-	-	5,879	2,313
China, People's Rep. of	300	281	-	-	8	8	-	-	1	1	21	19	-	-
Cyprus	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Denmark	2,029	4,986	-	-	5,372	4,374	-	-	-	-	4,242	5,358	-	-
Finland	-	-	-	-	-	-	-	-	-	-	-	-	-	-
France	-	-	947	1	1,432	3,895	-	-	-	-	-	-	-	-
Germany, Fed. Rep. of	-	-	-	-	-	-	709	5,276	1,242	411	-	-	-	-
Hong Kong	17,885	14,369	-	-	10,511	29,273	-	-	-	-	-	-	-	-
India	15,282	20,915	210	169	30,605	65,329	1,474	1,113	1,131	1,189	-	-	-	-
Indonesia	70	33	-	-	12,905	38,234	8,059	7,717	682	319	-	-	600	197
Italy	19,151	49,264	-	-	1,890	1,837	-	-	5,250	8,353	4,312	3,473	2,419	2,283
Japan	108	1	-	-	567	1,982	-	-	2,121	7,364	200	51	12,698	14,994
Korea, Rep. of	142,601	291,848	105,240	125,903	13,007	38,915	-	-	57	32	4,114	4,524	2,994	2,438
Liberia	390	283	-	-	28,950	43,302	197,123	269,994	840	1,699	-	-	340	213
Luxembourg	-	-	-	-	4,895	8,892	3,950	5,376	152,303	471,903	298,446	493,744	126,633	201,991
Netherlands	-	-	-	-	-	-	-	-	59,028	106,177	-	-	-	-
New Zealand	3,311	2,008	123,000	409,928	15,555	40,099	-	-	-	-	-	-	-	-
Norway	20	15	-	-	30,832	58,972	-	-	-	-	-	-	-	-
Pakistan	-	-	-	-	4,110	1,435	-	-	980	1,244	-	-	-	-
Panama	-	-	-	-	2,400	3,110	-	-	100	94	-	-	5,000	9,535
Philippines	-	-	-	-	-	-	-	-	1,200	942	-	-	-	-
Saudi Arabia	28,500	36,164	-	-	-	151,193	-	-	-	-	-	-	-	-
Scotland	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Singapore	-	-	-	-	-	-	-	-	264	322	588	1,014	41,040	90,295
Sri Lanka	59,189	77,417	32,606	30,700	85,811	90,287	44,745	91,615	224,944	333,539	1	-	-	-
Sweden	-	-	-	-	-	-	-	-	-	-	207,273	224,599	142,919	148,478
Switzerland	2,208	916	-	-	-	-	-	-	22	19	-	-	-	-
Taiwan Prov. of China	-	-	neg.	-	-	-	-	-	250	557	-	-	-	-
Thailand	1,701	2,047	-	-	1,196	4,306	-	-	24,375	34,398	-	-	-	-
United Kingdom	39,033	49,498	-	-	4,944	5,814	10,797	16,186	16,523	23,851	18,808	23,357	61,579	98,310
United States of America	118,939	351,741	307,557	562,124	627	213	283	41	215	430	-	-	126	176
Others	74,596	168,971	88,452	194,921	41,712	75,288	-	-	73,682	91,207	38,276	30,829	16,017	13,013
Unknown	4,250	6,997	523	1,026	43,306	113,405	1,944	5,141	5,715	13,734	8,574	7,687	2,374	5,846
	-	-	-	-	1,299	1,724	4	8	30,325	50,207	11,166	10,243	2,327	1,585
Total	577,599	1,130,822	663,730	1,633,336	372,369	884,442	275,495	435,111	652,572	1,241,128	604,255	807,564	439,009	596,834

MALAYSIA : FOREIGN INVESTMENT (PAID-UP / FIXED ASSET) IN COMPANIES IN PRODUCTION BY COUNTRY AND INDUSTRY AS AT 31ST DECEMBER, 1992 (WITHOUT HOTEL & TOURIST PROJECTS)

(RM '000)

Country	Machinery Manufacturing		Electrical & Electronic Products		Transport Equipment		Scientific & Measuring Equipt		Miscellaneous		Total	
	Paid-up	F-Asset	Paid-up	F-Asset	Paid-up	F-Asset	Paid-up	F-Asset	Paid-up	F-Asset	Paid-up	F-Asset
Arab Countries	2,149	2,177	2,100	2,910	160	506	-	-	-	-	41,796	18,550
Australia	3,657	1,519	23,617	16,152	4,787	15,422	-	-	3,389	2,719	238,342	307,568
Belgium	-	-	1,038	5,156	-	-	-	-	-	-	1,339	5,219
Bermuda	-	-	60,300	82,400	-	-	-	-	-	-	88,625	130,984
Brunei	484	547	-	-	-	-	-	-	-	-	951	869
Canada	-	-	8,063	30,956	4	7	-	-	-	-	15,901	38,465
China, People's Rep. of	772	838	-	-	-	-	-	-	-	-	6,344	6,524
Cyprus	-	-	-	-	-	-	-	-	-	-	2,029	4,986
Denmark	510	42	-	-	-	-	-	-	-	-	145,583	58,860
Finland	-	-	-	-	-	-	-	-	-	-	700	5,278
France	-	-	-	-	-	-	-	-	-	-	15,976	34,446
Germany, Fed. Rep. of	4,500	3,647	52,951	157,811	24,558	30,297	61,282	112,142	7,632	15,820	258,066	468,241
Hong Kong	313	309	129,812	450,093	11,278	19,033	1,185	386	2,368	11,214	411,762	942,983
India	50	10	2	3	1,666	943	15	6	-	-	21,854	37,884
Indonesia	375	1,693	-	-	7	12	-	-	1,000	250	58,879	78,985
Italy	-	-	1,500	1,728	-	-	-	-	-	-	15,463	40,438
Japan	116,278	178,211	1,933,733	3,305,881	138,419	241,716	118,000	232,915	20,421	63,537	3,818,843	7,058,014
Korea, Rep. of	-	-	7,357	13,064	-	-	-	-	242	35	85,466	153,385
Liberia	-	-	-	-	-	-	-	-	-	-	11,492	24,174
Luxembourg	-	-	-	-	-	-	-	-	-	-	15,568	40,105
Netherlands	-	-	132,979	230,258	-	-	-	-	-	-	301,530	716,525
New Zealand	-	-	10	8	-	-	-	-	-	-	6,427	3,598
Norway	-	-	-	-	-	-	-	-	-	-	9,106	8,582
Pakistan	-	-	-	-	-	-	-	-	-	-	3,559	3,453
Panama	-	-	10,000	6,075	28,500	73,412	-	-	-	-	129,442	437,142
Philippines	-	-	-	-	-	-	-	-	-	-	29,070	37,208
Saudi Arabia	-	-	-	-	-	-	-	-	-	-	750	451
Scotland	296	574	-	-	-	-	-	-	-	-	296	574
Singapore	29,811	27,582	314,475	702,863	99,962	47,998	31,495	50,010	15,005	94,255	2,368,306	2,090,265
Sri Lanka	-	-	-	-	320	1,012	-	-	-	-	342	1,011
Sweden	-	-	5,500	14,997	3,565	11,619	-	-	12	22	12,343	28,218
Switzerland	1,700	1,065	5,367	75,589	112	18	28,800	63,085	2,971	86	155,041	301,671
Taiwan Prov. of China	38,610	36,332	537,586	800,375	20,013	29,821	9,000	8,278	14,293	16,616	913,818	1,395,851
Thailand	420	475	133	132	778	8,523	-	-	531	1,360	45,731	62,527
United Kingdom	3,437	1,726	57,475	87,820	40,552	69,045	320	10,546	3,212	5,392	960,967	1,607,643
United States of America	12,365	21,292	132,828	1,154,227	19,201	45,050	-	-	11,900	30,958	476,310	1,957,482
Others	865	1,024	18,392	21,952	15,562	27,844	-	-	127	149	97,704	134,704
Unknown	1,445	622	-	-	334	304	-	-	-	-	1,700	927
Total	218,037	279,745	3,435,236	7,160,450	409,778	622,500	250,977	477,368	83,103	242,413	10,765,501	19,041,768

Source: MIDA

ANNEX IV

INVESTMENT POLICY

A. Distribution of Malaysian equity in respect of new investments

Where foreign equity is less than 100 per cent, the balance of the equity to be taken up by Malaysians should be allocated according to the following principles:

(a) For projects initiated by foreigners and where no local partners have been identified:

(i) If 70 per cent or more of the equity is held by foreigners, the balance of the equity will be reserved for bumiputeras.

(ii) If less than 70 per cent of the equity is held by foreigners, 30 per cent will be reserved for bumiputeras and the balance for non-bumiputeras. If foreigners hold 60 per cent of the equity, 30 per cent will be reserved for bumiputeras and the remaining 10 per cent for non-bumiputeras. If the equity reserved for bumiputeras is not taken up, the Ministry of Trade and Industry will allocate part of the balance to non-bumiputeras.

(b) For projects initiated by bumiputeras on a joint-venture basis with foreigners:

(i) If 70 per cent or more of the equity is held by foreigners, the balance of the equity will be reserved for the bumiputeras concerned.

(ii) If less than 70 per cent of the equity is held by foreigners, the balance will also be reserved for bumiputeras. However, if bumiputeras are unable to take up the entire balance, the Ministry of Trade and Industry will allocate part of the balance to non-bumiputeras.

(c) For projects initiated by non-bumiputeras on a joint-venture basis with foreigners:

(i) If 70 per cent or more of the equity is taken up by foreigners, the balance of the equity will be allocated to the non-bumiputeras concerned.

(ii) If less than 70 per cent of the equity is taken by foreigners, 30 per cent will be allocated to the non-bumiputeras concerned and the balance will be reserved for bumiputeras. However, under special circumstances, the non-bumiputeras may be permitted to take up the entire balance of the equity as decided by the Ministry of Trade and Industry.

B. Equity policy applicable to existing companies

(a) Companies which have been licensed between 1 April 1986 and 30 September 1986, and which have not made any investment in respect of the implementation of the project are also eligible for the same equity guidelines as above, subject to fulfilling the same export condition or employment requirement as those applications which are received by MIDA between 1 October 1986 and 31 December 1991.

(b) Companies licensed before 1 October 1986 must comply with the equity condition as stated in the licence. However, the foreign partner is permitted to own up to 100 per cent of the expanded equity as a result of an expansion of capacity or diversification, if approved under the conditions as mentioned, and provided that this does not contradict the terms of any legal agreement that may have been entered into among the shareholders.

C. Equity policy in relation to projects involving non-renewable resources

For projects which involve the extraction or mining and processing of mineral ores, majority foreign equity participation of up to 100 per cent is permitted. In determining the percentage, the following criteria will be taken into consideration:

(a) The level of investments, technology and risk involved in the projects;

(b) The availability of Malaysian expertise in the areas of exploration, mining and processing of the minerals concerned;

(c) The degree of integration, and level of value-added involved in the projects.

Note: Bumiputra is the Malaysian term for indigenous groups or locals.

ORGANIZATIONAL CHART OF THE ASEAN NATIONAL SECRETARIAT OF MALAYSIA

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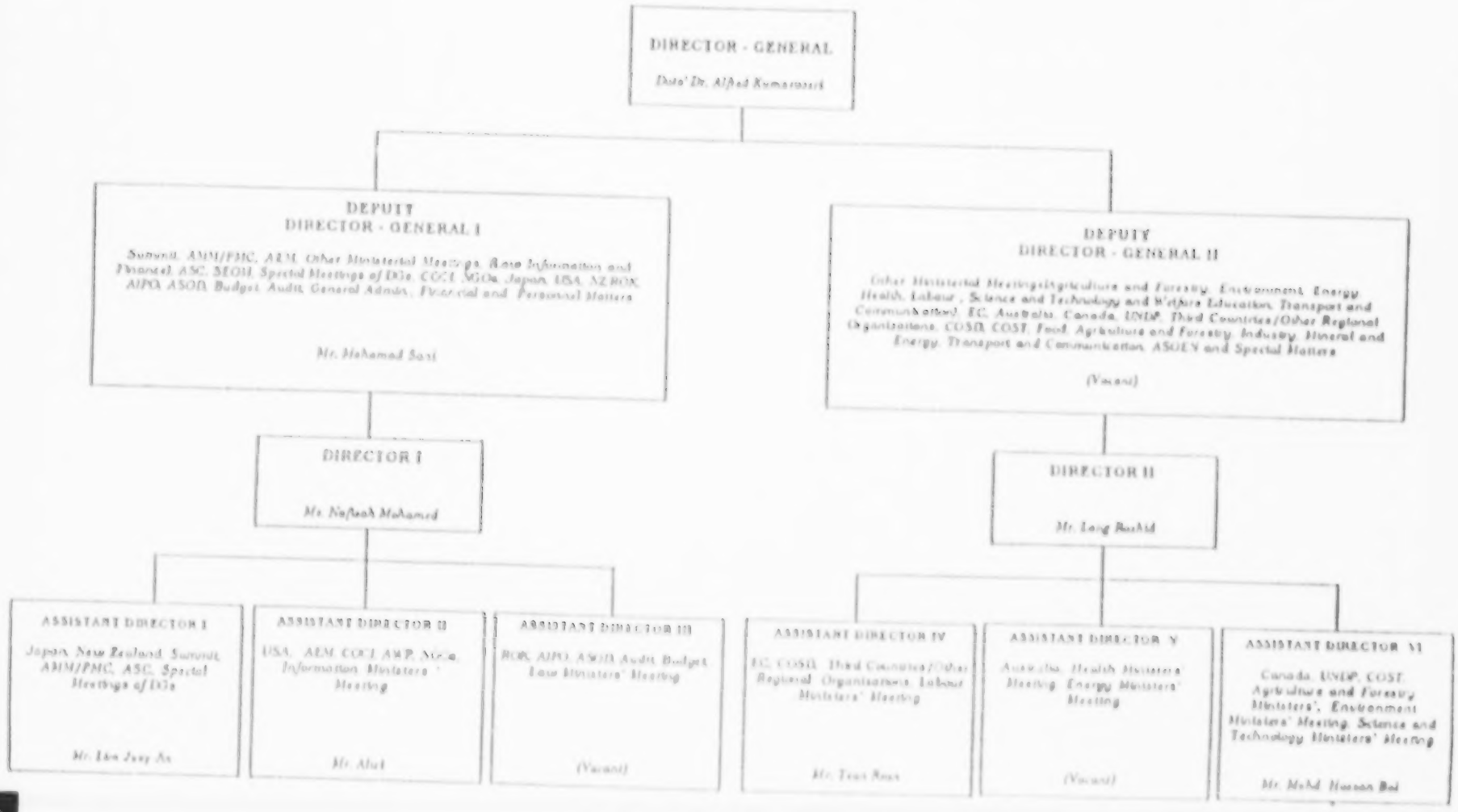
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ASSISTANT DIRECTOR V
Australia, Health Ministers' Meeting, Energy Ministers' Meeting
(Vacant)
ASSISTANT DIRECTOR VI
Canada, UNDP, COST, Agriculture and Forestry Ministers', Environment Ministers' Meeting, Science and Technology Ministers' Meeting
Mr. Mohd. Hassan Bai

ANNEX VI

LIST OF COURSES UNDER MTCP

Host	Course	Date of course
National Institute of Public Administration (INTAN)	Leadership and organizational management	5 April-6 May 1994
INTAN	Project planning and management	5 April-15 May 1994
INTAN	Training methodology (international)	5 April-29 May 1994
Veterinary Services Department	Training attachment in veterinary laboratory courses	20 October-20 November 1994
Institute of Diplomacy and Foreign Relations (IDFR)	Crisis management courses (international)	18 July-26 August 1994
National Productivity Centre (NPC)	Management consultancy for small and medium enterprises	22 August-14 October 1994
NPC	Certificate in supervision programme	22 August-14 October 1994
NPC	Productivity improvement programme	22 August-14 October 1994
TELECOM	Olte test gears and operation and maintenance	1 August-13 September 1994
TELECOM	Total quality management programme	12 September-8 October 1994

Host	Course	Date of course
TELECOM	Marketing programme	3 August- 10 September 1994
TELECOM	Modem (operation and management)	25 July- 27 August 1994
TELECOM	Local line plant planning	5 September- 1 October 1994
TELECOM	AXE 10 basic operation and maintenance	4 July- 13 August 1994
National Institute of Valuation (INSPEN)	International certificate course in property valuation	12 September- 22 October 1994
INSPEN	International certificate course in property tax management	12 September- 22 October 1994
INSPEN	Attachment in valuation practice	12 September- 22 October 1994
IDFR	Diplomatic training course (international) 1994	October 1994
Bank Negara	Central banking course	4 September- 22 October 1994

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UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

NATIONAL IMPLEMENTATION OF ECDC DECISIONS AND PROGRAMMES: A CASE STUDY OF MALAYSIA

Report by the UNCTAD secretariat

Corrigendum

1. The name of the Prime Minister of Malaysia, wherever it appears in this document, should be spelt as H.E. Dr. Mahathir Mohamad.

2. In Annex I of this document, the designation accompanying the name of Rohana Ramli should be read as Miss.

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